

# MANGAUNG LOCAL MUNICIPALITY

**Annual Report 2007/2008**





## KEY FACTS

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### **Population**

752 904

### **Number of Households**

202 762

### **Land Area**

6 283 km<sup>2</sup>

### **Population Density**

120 /km<sup>2</sup>

### **Municipality's Annual Budget**

Operating:	R 1 630 003 000 million
Capital:	R 673 560 000 million
Total:	R 2 303 563 000 million

### **Municipality's Credit Rating**

Long-term: A  
Short-term: A1-

## TABLE OF CONTENTS

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Foreword by the Executive Mayor	iv
Introduction by the City Manager	vi
<b>CHAPTER 1 INTRODUCTION AND OVERVIEW OF THE MUNICIPALITY</b>	2
Integrated Development Plan 2007/08	3
Mangaung Financial Sustainability	3
Overview of Financial Performance	4
Challenges Facing the Municipality	5
<b>CHAPTER 2 PERFORMANCE HIGHLIGHTS</b>	7
<i>Strategic Priority: Service Excellence</i>	7
Services for all	7
Roads and infrastructure investment	8
Upgrading our infrastructure	8
Municipal infrastructure grant	9
Solid waste management	9
Expanded public works programme	9
Local economic development	10
<i>Strategic Priority: Community Resilience</i>	12
Public education programme	12
Fire and rescue operations	13
Public safety	13
Financial performance	13
Health services	13
Water quality	13
Food security	13
Healthy city projects	14
By-laws	14
Parks and cemeteries	14
Traffic and security	15
Social development	15
Outreach programmes	16
<i>Strategic Priority: Economic Development and Planning</i>	17
Economic development	17
SMME support	18
Investment promotion and sectoral development	18
Tourism and marketing	19
Sustainable human settlements	19
Land use management	20
Rural development	21
Property division	22
Environmental management	24
Housing	26
<i>Strategic Priority: Good Governance</i>	30
Mangaung 2010 World Cup Office	31
Institutional arrangements	32

Stadium upgrading	32
Transport planning	32
Marketing and communication plan	33
Composite logo	33
Accommodation, hospitality and tourism	33
<b>CHAPTER 3 LOOKING AHEAD TO 2008/2009</b>	<b>34</b>
<b>CHAPTER 4 HUMAN RESOURCES AND OTHER ORGANIZATIONAL MANAGEMENT</b>	<b>38</b>
<b>CHAPTER 5 AUDITED FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION</b>	<b>48</b>
General Information	48
Report from the Auditor-General	49
Municipal Responses to the Auditor General	65
Report of the Chief Financial Officer	72
Statement on Financial Position	77
Statement of Financial Performance	78
Statement of Changes in Net Assets	79
Cash Flow Statement	81
Notes to the Annual Financial Statements	82
<b>Appendices</b>	
A Schedule of External Loans	119
B Analysis of Property, Plant and Equipment	120
C Segmental Analysis of Property, Plant and Equipment	124
D Segmental Analysis of Financial Performance	128
E Actual vs Budget (Revenue and Expenditure)	129
F Disclosure of Grants and Subsidies	131

## FOREWORD BY THE EXECUTIVE MAYOR

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For the year under review we have set a roadmap entailing a developmental agenda to propel the municipality on a path towards the attainment of service excellence. We have identified leadership development, performance management system, information management system and human resource development strategy as critical components / systems for achieving the mentioned service excellence.

We have committed ourselves for meeting service delivery targets as encapsulated in the Millennium Development Goals (MDG) particularly the eradication of bucket system by December 2007 and thereby restored the dignity of our people. Furthermore, we undertook to construct new roads and install storm-water systems. We have placed a premium on the need to expand our economic base through implementing strategic economic development projects and attendant land development

As one of the host cities for the FIFA 2009 Confederation and FIFA 2010 World Cups, we have identified a number of related projects that would leave an enduring legacy for the City and its people

In relation to the aforementioned strategic priorities that we have set for the municipality for the period under review, we are pleased to report that we have notched the following noticeable achievements:

- Removed 7 175 bucket system as part of the national government Bucket Eradication Programme;
- Provided effective public safety, security and community development services that resulted in better preparedness for emergencies, improved health and social services and reduced crime;
- Ensured that 98% of households have access to basic water services;
- Ensured that 92% of households have received regular refuse removal services;
- Electrified 1496 households;
- Implemented infrastructure projects using the Expanded Public Works Programme (EPWP) and the net results were *444 jobs and 15, 498 person days employment opportunities created*;
- Completed the pedestrianisation of Elizabeth and Selbourne streets;
- Allocated commercial land to 39 Previously Disadvantaged Individuals (PDIs), purchased 14 small holdings in Grassland measuring 51, 3934 hectares in extent;
- Built 1500 houses to provide shelter to a significant number of households;
- The upgrading of the Free State Stadium was 50% completed at the end of the reporting period

Despite the mentioned achievements, a number of challenges still persists that will be dealt in partnership with other spheres of government and government social partners in the outer years. These related to:

- Dealing systematically with inherited service delivery backlogs and ageing service delivery infrastructure
- Effective revenue enhancement for obtaining requisite resources for the extension of service delivery, conducting adequate maintenance of service delivery infrastructure and utilities and resourcing of economic development infrastructure;
- Systematic enhancement of operation for effective service delivery and the progressive improvement of governance and accountability systems and corresponding institutional arrangements;
- Making a significant contribution towards growing the economy and thereby create employment opportunities to reduce poverty and expand the revenue base of the municipality

I would like to take this opportunity to thank those who made the period under review to be exciting and a positive experience. Sincerest thank to the members of the Mayoral Committee, Chief Whip, Speaker, Councillors, political parties, City Manager and his management team, staff of Mangaung Local Municipality and Centlec.

THANK YOU

**FK Morule**  
**EXECUTIVE MAYOR**

## **INTRODUCTION BY THE CITY MANAGER**

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As the second year of this term (2006-2011) of local government ends, it is imperative that we present the Mangaung Local Municipality's 2007-2008 Annual Report to provide an account of how the municipality has performed in attaining its strategic priorities and projects as captured in its Integrated Development Plan.

The purpose of this Annual Report is therefore:

- To provide a record of the activities of the municipality during the 2007-2008 financial year;
- To provide a report on the service delivery and budget implementation of the municipality during the 2007-2008 financial year; and
- To promote accountability to the community that we, as the municipality, serve.

Throughout the 2007-2008 financial year the municipality worked to enhance the lives of those living and working in Mangaung by investing R266.8 million in the development of new infrastructure. The municipality also continued to deliver its range of services to the community.

During this reporting period the municipality also partnered with the police and other law enforcement agencies by embarking on a series of crime prevention activities. Furthermore, emergency, health and social services were effectively provided and the result was a steady improvement in our public safety, security and community development endeavors.

During the 2007-2008 financial year we continued with our preparations for the FIFA 2010 Soccer World Cup and we invested an amount of R 173.7 million into the infrastructure to host a successful event.

Lastly, it is also necessary to mention that we have tried to adhere to the principles of good governance as we believe that good governance is integral to economic growth, the eradication of poverty and for the sustainable development of the community we serve.

**TM MANYOINI**  
**CITY MANAGER**

# **Building on**

# **Foundation**

## **CHAPTER 1: INTRODUCTION AND OVERVIEW OF THE MUNICIPALITY**

The Free State is a central province of the country, having an international border with Lesotho, and local borders with all other provinces except Limpopo and the Western Cape. The province, best known as “the food basket of South Africa” has, since 1989, changed from being dependent on mining and agriculture to a manufacturing, export-orientated economy. The province has a share of 2.4% population in the country with 5.5% contribution to the Gross Domestic Product (GDP). Mining in the province remains the biggest employer, while manufacturing and industry contribute 12.6% to its total value added at basic prices. The biofuel and 2010 FIFA World Cup presented new opportunities for the province to increase economic spin-offs.

The Mangaung Local Municipality, in particular the City of Bloemfontein is the gateway to the Free State Province and regional economies, and the City of Bloemfontein is becoming a major gateway for those wanting to visit and do business in Free State. Its central location in the context of the RSA arguably make Bloemfontein South Africa's most efficient gateway.

### **INTEGRATED DEVELOPMENT PLAN 2007/08**

The vision of Mangaung Local Municipality is about the municipality being recognised nationally and internationally as a safe and attractive place to live, work and invest. The municipality must have good and accessible basic services for all and a dynamic economy with a high employment rate, many innovative formal and informal businesses and a highly skilled workforce.

The Municipality's strategic plan emphasizes and guides the municipality's implementation actions from 2007/08 to 2009/2010 financial year.

In a series of meetings the IDP Steering Committee reviewed and confirmed the challenges and opportunities facing the municipal area in 2008/09 and beyond, and together with Council determined what emphases should be given including concrete steps to be undertaken that will have impact on the budget as well working towards the attainment of our strategic priorities:

- Service excellence;
- Economic development;
- Financial sustainability;
- Common purpose;
- Community resilience.

Key to the achievement of the municipal strategies is the development of the service delivery and budget implementation plans (SDBIPs) which are basically actualizing the IDP and ensuring that municipal resources are deployed in an efficiently and effectively. The municipal administration and Council uses the SDBIPs to measure and report on actual performance against its targets. The SDBIP tool is also viewed as an approach to cascade the IDP to lower levels of operations while on the other hand it influences and guides the operating and capital budgets of the different directorates and units within the Council.

## MANGAUNG FINANCIAL SUSTAINABILITY

### RESULTS:

The municipality issued tenders to the value of R837.61 millions for the year under review. A total of R345.08 million (54.12%) of the tenders/bids issued were spent on the companies that claimed Historical Disadvantaged Individuals (HDI) in terms of the procurement policy, including the youth, woman and disabled; A successful auction of redundant materials, including motor vehicles, specialized fleet and office furniture was held during the year. Proceeds of the auction amounted to R3.862 millions; The provision of bad debts was increased by R22.2 million over and above the budgeted amount of R25 million for the current year.

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Since the advent of local government system in 2000, the Mangaung Local Municipality, has maintained its position as the largest municipal government in the Free State Province. The Council has over the years displayed a sound financial profile, as evidenced by its healthy discretionary cash flows and high level of cash on hand. Furthermore, the municipality has in the recent past exhibited negligible levels of gearing and a strong net cash position. Capital projects have been funded from internal loans (reserves) over the years. The Council is however, no longer in a position to continue the practice of financing capital out of own funds. The turnaround has been brought about by a number fundamental challenge that includes:

- Insufficient revenue growth in operating and capital requirements;
- Rising debtors books and dwindling investments;
- The development role of municipality emanating from the devolved considerable financial responsibilities from national government;
- Expenditure pressure due to ageing infrastructure, unique immigration pattern associated with socio-economic status of Mangaung in a provincial context;
- The need to refocus current level of funding to high priority areas such as the 2010 Soccer World Cup and bucket eradication as part of addressing the service delivery backlog in the immediate to long term;
- Maintenance backlogs in respect of Council's assets through lack of development of a long-term maintenance plan and adequate funding of infrastructural assets.
- Staffing requirement and the impact on the personnel expenditure target;
- Level of provision for bad debts; and,
- Insufficient provision for the impact of the bucket eradication programme on the operating budget linked to:
  - Capacity of the sewerage treatment plants;
  - Possible increase on the debtors book (more than free basic water usage);
  - Overtime for maintenance work; and
  - Personnel capacity to maintain the network.

The Municipality's capital budget grew from approximately R165,483 million in 2000/2001 to nearly R727.434 million in 2008/2009, while the operating budget reflects an average annual growth of 8% for the same period. In terms of capital spending, this indicates the Municipality's ongoing support to address infrastructure backlogs.

## **OVERVIEW OF FINANCIAL PERFORMANCE**

The actual revenue as at 30 June 2008 amounts to R1 495.1 million against the budgeted amount of R1 400.1 million. The year to date, actual revenue of R1 495.1 million exceeded the budgeted year revenue of R1 400.1 million by R95.1 million. The actual revenue for the year is 6.79% above the budgeted amount.

The expenditure for the 2007/08 financial year amounts to R1 209.7 million against the budgeted amount of R1 143.6 million. This expenditure represents 105.78% of the budgeted amount over-expenditure of 5.78% or R66.1 million.

The capital expenditure for the year amounts to R480.9 million against the budgeted amount of R627.2 million. This expenditure represents 76.67% of the annual budgeted amount, and under-performance of 23.33% or R146.3 million.

The net results of the 2007/08 budget indicate substantial improvements in terms of the budgeted amount for the financial year ending on 30 June 2008. The focus was based in deepening service delivery through capital implementation programme programmes which increased from R 297.1 million in the previous financial year to R480.9 million in this reporting year. As part of the municipality's strategy to continue meeting the ever increasing demands of addressing the existing infrastructural backlog, the Municipality put more emphasis on:

- Paying attention to debt collection as means of improving the cash flow situation;
- Prioritization of competing capital investment projects;
- Leveraging of available cash resources in order to meet increased service delivery demands;
- Investigating the possibilities of obtaining external funding.

The municipality has or will embark on the following strategies to maintain financial viability and capability to sustain services:

- Commissioning a data-cleansing project to authenticate our consumer accounts database and timeous consumer billing.
- A water leakage project, aimed at fixing leakages in areas where there is high consumption of water due to wastage, resulting in high household accounts.
- Strengthen oversight of the business entity on behalf of Council for the enhancement of shareholder's value and efficiencies.
- Development and updating of Financial Policies so as to ensure compliance to internal controls.
- Implementation of cost cutting measures in an effort to relieve pressures on the operating budget

The financial activities of the 2007/2008 financial year are reviewed in the financial statements of this report.

## CHALLENGES FACING THE MUNICIPALITY

### **Provision of quality infrastructure service**

The provision of infrastructural services has played an important part in the development and growth in Mangaung, but the increasing demands related to growth have also highlighted shortfalls in the quantity and quality of infrastructure. The expansion of municipal infrastructure as well as addressing the existing backlogs put pressure on maintaining acceptable and affordable levels of infrastructure service delivery. This obstacle in local infrastructure investment is shaped by growth in urban population and inadequate funds to pursue massive infrastructure development. In some cases, this exacerbated by inefficiencies in provision of quality infrastructure and backlog of projects implementation.

The Municipality completed a total of 680 pre-1994 bucket systems while phase two of the program completed and removed 6 495 bucket systems resulting in a total of 7 175 bucket systems eradicated in the municipality as part of national government Bucket Eradication Program. Even though resources meant for roads and stormwater were shifted to the program, this demonstrated the one way the Municipality improved service delivery to work more effectively to provide residents with affordable and acceptable level of sanitation that reflect the dignity of the community.

The performance of the municipality with regard to road maintenance is not satisfactory. Efforts that include training maintenance teams are in place to deal with road maintenance challenges. Also, through partnership with local private contractors the municipality will improve restoration and maintenance of roads and stormwater networks across the Mangaung area.

The Municipality's Solid Waste Management unit continued its awareness campaigns for the clean and healthy environment in collecting garbage and recycling collection in 2008. Also, in an effort to minimize illegal refuse dumping, the municipality erected almost 222 "no dumping" sign boards in areas where illegal dumping is happening. Additionally, 21 500 households refuse bins were procured for homes where illegal dumping is ubiquitous.

### **Promotion of growth and fighting poverty**

Economic growth and development is the most powerful means of reducing poverty and improving the quality of life in Mangaung. Sustainable growth and employment opportunities still remain the key challenge for the Municipality, which in turn affect the revenues streams of the Municipality and the ability to spend on basic services. The main challenge to Mangaung Local Municipality's economy is the creation of impressive and sustainable employment opportunities to fight and reduce poverty.

Some of additional and critical challenges faced by the Municipality relate to:

- Increasing service areas debt that crowd out investment in economic development projects, recapitalisation of infrastructure and carrying out of effective maintenance.
- Fast-tracking capital expenditure in relation to 2010 capital projects
- Financial management and control (*disclaimed audit opinion*)
- Deepening the culture of work and accountability

This annual report will highlight many of the Council's achievements in tackling these diverse challenges. The annual report will also provide highlights about the Mangaung Local Municipality's progress on the achievements in relation to the Integrated Development plan in each of five priority areas in 2007/2008 financial year and in tackling these diverse challenges.

### **Safe and secure community**

The municipality is continually increasing public safety and security and community development efforts to better prepare for emergencies, improved health and social services, prevent crime, and improve critical response times.

- Exposed 5 591 learners coming from 74 schools across the province in Fire Safety and Disaster Management public education programme. Additional 1136 Health Care Workers also trained in basic fire safety and evacuation procedures.
- Responded to 1 153 (1 871 during 2006/2007) calls for assistance. This translates into an average of 3 emergency calls per day.
- Prepared contingency plans for 81 events were held during the period under review. A Joint Operations Centre was established to manage 57 events during the 2007/2008 financial year.
- 75% of food control points of total work load monitored.
- 100% of water safety control points were monitored with sampling rate of 10 samples per 100,000 persons.
- Trained 184 traffic and peace officers.
- Entered into an agreement with TAD Consultancy Services for the installation of CCTV's to assist with the identification of possible criminals and criminal activities. This will also help to eliminate possible crime hotspots within the Mangaung area.
- Traffic and Security entered into a contract with Munifare Parking Systems to install parking meters in the City of Bloemfontein thus controlling on-street parking.
- Issued 218 872 notices to offenders in respect of road traffic offences.
- CBD's for closing down unsafe buildings, impounding illegal containers, caravans and vehicle which are not complying with law.
- Cordoned off and searched of buildings in Mandela drive and other places for illegal immigrants and wanted people, repossession of stolen goods, confiscating goods, drugs and IT- equipment used for the unblocking of stolen cell phones and other devices.

## CHAPTER 2: PERFORMANCE HIGHLIGHTS

### STRATEGIC PRIORITY: SERVICE EXCELLENCE

KEY MUNICIPAL OBJECTIVES: Ensure that all households on formal erven will have access on their stand to a water connection, 85% to basic RDP standard sanitation, and 65% to a properly drained all weather street; Ensure that all households earning less than R 1100 per month receive free basic water and electricity.

RESULTS: 98 % with access to basic water services; 92 % of households received regular refuse removal services with a total of 432 000 tonnage of all refuse disposed; 55 % (165 373) of households with basic sanitation; 43.5 km of roads made accessible; 99 % of proclaimed households with access to basic electricity supply.

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Over the past eight years the Mangaung Local Municipality has experienced significant urban migration patterns mainly from the marginalized people from rural settings and other towns in the other provinces including people as far as from Lesotho. The Municipality is in agony with the immense backlog in infrastructural systems that include bulk infrastructure, quality roads and stormwater, water and sanitation as well as bucket eradication, refuse removal as part of provision of basic services. This is also intensified by the overwhelming responsibility of maintaining the existing infrastructure through refurbishment, upgrading, repairing as well as replacing the old infrastructure while new infrastructure need to be built.

#### Services for All

Notwithstanding these challenges, the Municipality had successfully provided free basic services to the people of Mangaung, the target which was achieved through providing 6kl of clean water per household per month, 30kw per household per month as part of eradicating elements of poverty to poor households. The Municipality attained the target of providing the piped water to all households on formal erven on their sites with standpipe access whereas a communal standpipe of 200m from the dwelling has been superseded by providing 16 789 households with 100m communal pipe which is relatively higher level of service. The target of providing water service to the residents of Mangaung has been achieved.

However water leakages in various Wards continue to be a challenge to the Municipality. This contributed to increased backlog in terms of rapid growth of capital development and ageing infrastructure which needs to be refurbished.

While the national standard for standpipe access is 200 m, the City achieved a 100 m standard. The very high 99% goal for access to basic solid waste removal was also attained.

In terms of the provision of basic electricity to the residents of Mangaung, the electrification target for 2006/7 financial year was 1 428 and 1 496 houses were electrified. The Municipality exceeded the electricity provision target of 100 % with 1 % to 101.1%.

Load and energy saving demand was reduced by 10% so as to avoid load-shedding. This came about as the result of directive for Municipalities to save on demand and energy. To achieve this we reset our demand target for 2007/2008 to 10% lower than that of 2006/2007 and perform load management. The load was controlled and managed by switching off the geysers from 06H00 in the morning till 14H00, start to recycle them from 14H00 in the afternoon till 18H00 in the evening and switching them off again till 03H30 the following day. The geysers were kept on for an average of six hours per day, two in the morning and four in the afternoon, and all this was done to achieve a 10% on energy saving.

The target of providing all households with basic RDP standard sanitation has been significantly achieved. The removal of bucket system programme aimed at removing 10 780 buckets was at the core of making sure that residents have acceptable level of sanitation. Overall 7 175 bucket systems were removed with considerable progress being made to ensure that all the remaining buckets are eradicated in Mangaung Local Municipality. In this instance Phase Three of the bucket eradication programme will see the programme realized. For the year under reporting a budget of R 146 559 423.00 was allocated for the bucket eradication under the Municipal Infrastructure Grant (MIG) programme. A further R 46 227 990.00 from own municipal funding, was made available in the 2007/08 financial year for the bucket eradication projects.

### **Road infrastructure investment**

During the financial year there were no Council funded roads and stormwater projects. Almost R32 million that was meant for roads and stormwater was reassigned to water and sanitation as part of bucket eradication programme. The target for the eradication of the bucket system was revised to state that all bucket sanitation systems in formal, established townships in South Africa will be eradicated by December 2007. The Council therefore made the bucket sanitation eradication programme a delivery priority.

### **Upgrading our Infrastructure**

Developing and maintaining infrastructure is one of the key ways that a municipal government supports economic development. The Municipality had from the previous financial year a number of roads and stormwater projects to be completed in the 2007/08 financial year. These included the construction and upgrading of 30.113 km of roads in Mangaung Local Municipality. 17.234 km of roads were widened, refurbished and/or resealed in Mangaung area while in Botshabelo area 10.022 km of roads and stormwater were upgraded and for Thaba Nchu area 2.854 km of roads were improved.

As well, improvements which included graveling of streets totaling 5 km were made to the following streets Makotoko and Randjies, roads in Botshabelo Section M were spot gravelled and graded as well as rural roads in Thaba Nchu to improve accessibility and traffic safety including replacement of underground infrastructure. Rehabilitation of streets in the length of 36 km and to the total amount of R49 600 000.00 was completed. Overall the Municipality achieved the performance of 93.8% against the target of 95% of making roads and streets accessible to the people.

### **Municipal infrastructure grant**

The following table indicates the actual spending of municipal infrastructure grant funds during the 2007/08 financial year:

<b>Sub Directorate</b>	<b>Budget</b>	<b>Revised Budget</b>	<b>Expenditure</b>	<b>Percentage</b>
Roads and Stormwater	45,275,260	30,938,705	28,478,795.15	92.05%
Water and Sanitation	75,275,250	146,559,423	135,123,149.62	92.20%
PMU Operating Budget	50,000	50,000	43,867.63	87.74%
<b>Total</b>	<b>120,600,510</b>	<b>177,548,128</b>	<b>163,645,812.40</b>	<b>92.17%</b>

The total spending of MIG funds was 92.17% on 30 June 2008. Spending on the Bucket Eradication project was prioritized during the year which required the amount of R46.5 million to be brought forward from the next National financial year's allocation. So although the spending shows 92.17%, it should be kept in mind that this was measured against the Adjustments budget total of R177, 5 million.

### **Solid Waste Management**

The Municipality set itself a target that at least 100% of households have access to a weekly door-to-door refuse collection services. By the end of financial year, June 2008, the Municipality had collected 111 538 tons of waste from business premises and residential homes to improve waste collection service level and cleanliness in the municipality. The Municipality also invested in 21 500 household refuse bins throughout the municipal areas specifically prone to illegal waste dumping. This initiative is part of activities of the Solid Waste Management Business Plan to help and support community by better managing the disposal of all forms of waste. The waste bins will also be utilized for 2010 in areas of need to curb littering.

Solid Waste Management has intensified the awareness raising regarding waste management in the Municipality to ensure that everyone participates to ensure a clean and healthy environment. Twelve (12) primary schools and twelve hawking areas (four of each in all regions) also participated in competitions on cleanliness during the financial year. The prizes for the participating schools included different types of refuse receptacles to encourage separation of waste at source, the quantity of refuse receptacles depended on how the school performed in the competition. About thirty one (31) awareness raising sessions in total were held in some communities and schools throughout Mangaung in the year under review. This is also intended at reducing the huge costs of illegal dumping which has since been a challenge. About two hundred and twenty two (222) 'no dumping' sign boards were erected in some areas of the three administrative units of the municipality where illegal dumping occurs.

### **Expanded Public Works Programme**

All our projects were advertised according to the Expanded Public Works Programme (EPWP) guidelines. EPWP reporting was done to the MIG office on the projects.

Community participation and liaison has been implemented through Councillors and project steering committees with community liaison officers. Brainstorming sessions and social facilitation sessions were held to help the learner contractors, supervisors and the project relations officer to understand some of the dynamics that rule the community and to familiarise them with the EPWP and its objectives and guidelines.

<b>Job creation on EPWP</b>					
<b>Sub directorate</b>	<b>Person Days</b>	<b>Jobs*</b>	<b>Youth*</b>	<b>Women*</b>	<b>Disabled People*</b>
Roads and stormwater	5,506	216	100	53	1
Water and sanitation	9,992	228	96	111	0
<b>Grand Total</b>	<b>15,498</b>	<b>444</b>	<b>196</b>	<b>164</b>	<b>1</b>

\* Designated groups only. The difference is made up of adult men and women

The table above indicates that 444 job opportunities were created, of which 196 (44%) were occupied by youth, 164 (36%) by women and 1 (0.2%) by disabled people. The required target is 30% youth, 40% women and 2% disabled people.

Although life skills training and accredited and non-accredited training took place to a certain extend, the training and skills development activities on MLM projects need to be uplifted and concentrated on. With the kick off of the EPWP programme, it was concentrated on production and spending to meet the projected cash flow targets.

#### **Submission of monthly reports to DPLG MIG office**

The following monthly reports were submitted to the MIG office of DPLG:

- DORA report which addresses the MIG cash flow for each month and gives full details of the MIG payments on all registered MIG projects.
- EPWP report which covers the monthly progress on all EPWP projects, the number of jobs created and the training and skills development achieved.
- PROJECT LIST which had to be updated on a monthly basis, consisting of all details, progress and payments of all MIG projects.

#### **Local Economic Development**

The Solid Waste Management Sub-Directorate also contributed in the local economic development by utilizing about R4.95 million of its operational budget on SMMEs that assist the unit in the door-door household waste collection and cleaning of the CBD. This translates to about 6% of the operational budget. The municipality is fast growing and the ailing equipment that the unit is having cannot cope with the demand. The downtime experienced has a negative effect on service delivery. The unit therefore felt a need to gradually replace the old equipment and also purchase new ones to ensure a satisfactory service to the community. During the year under review two compaction vehicles, a

bulldozer for use at landfill sites and a tyre cutter have been purchased but due to unforeseen circumstances during the procurement process mechanical services indicated that this equipment can only be delivered in the 2008/09 financial year and therefore funds for this purchase have been rolled over to the 08/09 financial year to cater for this.

## **STRATEGIC PRIORITY: COMMUNITY RESILIENCE**

<b>KEY MUNICIPAL OBJECTIVES:</b>	To ensure that external stresses and shocks on communities have been reduced and that communities are better able to withstand these;  To ensure that citizens are satisfied with the quality of service provision committed to by the Mangaung Municipality.
<b>KEY RESULTS:</b>	26 028 community members reached with education, training and awareness programmes; Responded to 1153 Fire and Rescue assistance calls, which relates to 3 calls a day; 79.4 % of Fire and Rescue incidents reported to which resources are dispatched within 3 minutes; 100% of water quality points monitored of which 98.7 % complied with SANS ; 100% of communicable diseases notified investigated and controlled; 642 indigent households reached with pest control disinfestation actions; 4 Neighborhood parks established in Botshabelo, Thaba Nchu and Mangaung Township; 218 872 traffic fines issued, an increase of 62.19% compare to the previous year; 200 Parking metres installed; 28 crime prevention operations successfully conducted; 6 Library Advisory Committees established in collaboration with community members; 120 HIV/Aids outreach programmes conducted.

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### **Public Education Programme**

As was the case during 2006/2007 the Fire Safety and Disaster Management public education programme was again extremely successful. During the period under review 5 591 learners from 74 schools were exposed to the programme. The programme is also not limited to learners from schools within Mangaung, as schools from throughout the Free State Province and Lesotho have visited the Fire Service Museum and the Fire and Rescue Service. The safety message is therefore even spread beyond the boundaries of MLM and the country into areas and communities where no such programmes are offered.

The number of persons that lost their lives in fires unfortunately increased by four from 15 in 2006/2007 to 19 during 2007/2008. While the increase is highly regrettable it is still well below the 2005/2006 level of 37 fire deaths. It will thus appear as though the public education programme continues to yield the desired outcome.

## **Fire and Rescue Operations**

Throughout 2007/2008, the Mangaung Local Municipality Fire and Rescue Division responded to 1 153 (1 871 during 2006/2007) emergency calls for assistance. This translates into an average of 3 emergency calls per day. 623 (693 during 2006/2007) Persons were assisted when the Service responded to 346 (420 during 2006/2007) incidents like vehicle accidents.

## **Public Safety at events**

Planning meetings to prepare contingency plans for 81 (88 during 2006/2007) events were held during the period under review. A Joint Operations Centre was established to manage 57 (56 during 2006/2007) events during the 2007/2008 financial year.

## **Financial performance**

Eleven (11) capital items were approved for execution by the Sub – Directorate Emergency Services during the 2007/2008 financial year. The estimated expenditure approved for the items amounted to R 1 564 200. All eleven projects were executed and 95.80% of the budgeted funds spent.

The 2007/2008 Operational budget of the Sub – Directorate Emergency Services amounted to R 33 467 757. Actual expenditure for 2007/2008 amounted to R 31 155 316 or 93.09% of the budget.

## **Health Services**

The Environmental Health Services Division rendered municipal health services in order to ensure consumer protection (Re. water and food safety), prevention of environmental pollution and surveillance of communicable diseases.

## **Water quality**

Together with the Laboratory unit it ensured that 100% of water safety control points (water reservoirs and household tap points) were monitored with a 98.7 % compliance rate which is well above the National compliance standard of 97%. Set performance target was exceeded due to the high priority given to the health protection aspect associated with provision of safe quality water.

## **Food safety**

With our focus on the two big soccer events launched a training programme targeting food handlers; 62 Informal Food Traders (Hawkers) were trained in proper hygienic food preparation practices, intensified our awareness programme at 144 restaurants and food outlets. The division launched a Milk Safety project whereby 36 milk farms and 40 milk shops were capacitated with legislative requirements to improve the quality status of milk supply to the community especially the immuno compromised people (the elderly, children and HIV/AIDS patients).

## **Healthy City projects**

The division embarked on implementing projects as output in delivering and advocating the service to the community focusing on health education and awareness. During that period education programmes launched were very successful. Towards healthy environments at schools 21 water channelling systems were installed on 7 school premises, ensuring clean environments around water taps and curbing water wastage; 75 school learners in the rural areas were trained in the Hand Wash campaign to enhance personal hygiene and 150 school learners were capacitated with the Healthy Environmental programme relating to waste management practices and environmental pollution control issues.

Facilitated the provision of 300 Ventilated Improved Pit-latrines (VIPs) distributed to smallholdings thus improving the lifestyle of people and to ensure the quality of ground water.

## **By Laws**

The By laws relating to Child Care Facilities were developed, a public participation process was followed and it was promulgated, the by law's objective is to effectively control and manage the registration and the grading of these facilities.

## **Parks and Cemeteries**

### **Disposal of the Dead**

This division successfully facilitated and managed, in collaboration with the Provincial Forensic Laboratory, the burial of 216 unidentified bodies found in the jurisdiction of the municipality.

### **Zoo**

A devils fork perimeter fence to an amount of R600 000 was erected around the Zoo to enhance security. Game was also procured for Kwaggafontein and the Zoo to an amount of R1.7 million. This actually improves and strengthens the gene pool for future generations by breeding as well as to strengthen public awareness on the different species of animals. The new Mongoose enclosures to beautify the Zoo were completed as well.

### **Cemeteries**

The extension of the Southpark Cemetery fence to be able to ensure sufficient burial space for the future was done. Bus routes in Southpark Cemetery were paved to ensure safe and smooth flow of traffic during proceedings. Security issues at all Cemeteries were improved by pruning trees to increase visibility, this lead to less crime incidents.

### **Parks**

City entrances e.g. Memoriam Road , Church Street, Andries Pretorius Street, were among other areas upgraded in terms of landscaping. Parks were also established in Botshabelo, Thaba Nchu and Mangaung Township in terms of the open space development programme and recreational purposes.

SMME's involvement in service delivery as per the Business plan for Horticulture Services is to a certain extend assisting Council in ensuring the execution of the Municipalities mandate.

### **Traffic and Security**

The Traffic and Security Sub Directorate delivers traffic and security services to the public and the following represent deliveries for the 2007/2008 financial year.

The Traffic Training College succeeded in the training and developing 241 unemployed people as Traffic Officers and 45 as Peace Officers. The trained persons qualified to operate as Traffic Officers in all the South African Development countries.

The Traffic Division with the assistance of Munifare succeeded in installing 200 parking meters on streets to control and regulate non moving violations as stipulated in the National Road Traffic Act 93/1996.

A place was identified where CCTV cameras can be housed. This building was refurbished and revitalized to be in a position to operate as a command and control centre for the project of installing CCTV cameras in Mangaung.

Joint crime prevention operations in 2007, Operation Restore, was conducted by MLM Traffic and Security, SAPS, SANDF, SAAF, Dept. of Home Affairs, Justice, other MLM departments and other stakeholders in an effort to combat crime in the total MLM area. The goal was to increase the visibility, stop and prevent crime and search for wanted criminals. The same operations were used as an opportunity to train and expose personnel in the use of helicopters and other equipment to fight crime. Inter action and co-operation between the different agencies, the exchanging of information and team building between the different governments departments on crime prevention was viewed as part of the successes.

The sub directorate succeeded in solving the following problem: Naval Hill was targeted by other group of persons as a spot to commit crimes, and joint operations were also held to arrest the perpetrators responsible for rapes, assaults, malicious damage to property and robberies at Naval Hill. 18 suspects were arrested in connection with this matter at Naval Hill found guilty at the Court of Law.

Operations were held in different wards like stop and search, cordon off and search, road blocks, observations, demolishing of illegal structures, law enforcement, arresting of perpetrators and illegal immigrants, execution of warrants for arrest on wanted people, illegal hawking and the prevention of illegal squatting. Achievements were arrests; and warnings /summonses issued for court appearances; drugs and illegal items were also confiscated.

### **Social Development**

#### **Public Education Programme**

The Sub-directorate Social Development trained 350 people in peer education and counseling courses. 100 people were provided training on Drawing up of Business Plans, Marketing and Customer Care.

Members of Botshabelo and Bloemfontein attended a Mass Participation Campaign held with the aim of improving livelihoods of the communities.

### **Partnerships**

Partnerships were formed with sport federations to facilitate the process of sports development, for example centres of excellence for cricket were established at Mangaung Indoor Centre and Botshabelo Stadium. The FS Cricket Union availed coaches to give expert coaching to kids of all age groups and 3 kids from Botshabelo were selected to represent the FS team at the inter -provincial championships. Other programmes in netball; volleyball; cricket; table tennis etc were held at various facilities in Bloemfontein; Botshabelo and Thaba Nchu in an effort to increase participation in sport and recreation.

### **Sport Facilities**

#### **Golf Course**

The irrigation system was installed at the Thaba Nchu Golf Course

#### **Stadiums and other facilities**

The upgrading of Mmabana Stadium (phase 2) was completed: 2 netball courts; lighting to 2 courts; fencing around athletics track and a steel pavilion.

#### **Library Advisory Committees**

Six of the libraries have functioning Library Advisory Committees. An LAC serves as body that represents the voice of the community and the authority in this case MLM. Both Bloemfontein Public Library and National Drama Library do not have LACs due to fact that Library Committee is formed by volunteers of that particular library in which they recite.

#### **Outreach Programmes**

All eight libraries provide a variety of outreach programs such as playing 91 video and film shows for 1092 people. 200 story telling sessions for 7012 children, about 896 participants attended reading circles activities. More than 120 various other activities attended by almost 10 000 people which include Entrepreneurship, Community Programs, Holiday Programmes, Book Education theme orientated exhibition and displays, Professional Service, and Customer Care during the National Library week every March.

## **STRATEGIC PRIORITY: ECONOMIC DEVELOPMENT AND PLANNING**

**KEY MUNICIPAL OBJECTIVES:** Ensure poverty will have decreased by 10%; Ensure that economic growth will have risen to 4.5% and 6000 new jobs will have been created; Ensure the outsourcing of services that are most effectively delivered by communities or SMMEs; Ensure that Mangaung is promoted as an attractive place to live, visit and invest by developing and implementing an incentive scheme and a marketing strategy.

**KEY RESULTS:** According to the latest figures issued for the Free State Province 54.7% of the people are living in poverty. A further 38.9% of the economically active population is unemployed; The GGP per capita is standing at R5 871 per annum. The Free State produces GGP of some R44.1 billion. Government is the largest contributor to the GGP at 15%. Economic activity of the province centers mainly on mining, agriculture and manufacturing which respectively contributes 22.6%, 11% and 14.5% to the GGP; The data supplied above has been sourced from the Southern African Regional Poverty Network which captured date on a Provincial level. More detailed data on Mangaung would be available in subsequent reports once better indicators are developed and measured for the MIM region; The provision of services to the municipality by SMMEs were stepped up in the year under review to the extent that maintenance of municipal properties were outsourced to the value of R2 169 456. Professional services were also identified as an area to beef up the SMME sector, to this end, work to the value of R16 815 683 was outsourced; MLM has been active in promoting and marketing Mangaung. A large focus has been placed on the upcoming FIFA Confederation Cup and 2010 World Cup and these events have been used as catalyst to market Mangaung as a destination to live, visit and invest in.

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### **Economic Development**

The overall objective of this sub-directorate is to be involved in the stimulation of the economic growth with the aim of making a contribution in reduction of poverty and ensure that the quality of life of the rural people is improved in Mangaung Local Municipality area.

## **SMME Support**

The statistics at the disposal of Mangaung Local Municipality indicates that the purchase of local products and services exceeded the target of R70 million. The UFS Centre for Development Support indicates that the percentage of local procured resources and services is 37.9% compared to 18.3% elsewhere in the province, the rest is outside the province eg. Lesotho, Johannesburg. The indicator captured in the IDP is reported not to be ideal due to the difficulty of accessing credible information from various companies.

More than 300 new jobs were created by the local SMMEs. A further 616 and 430 jobs were created through Free State Development Corporation and Umsobomvu Youth Fund respectively (Information supplied by FDC and UYF).

Through the efforts of the SMME Support Division of the Municipality the two associations for hair stylist and street traders were established namely, Afro Hairdressing & Beauty Employers Association and African Council of Hawkers and Informal Business. This was an action that was planned towards the promotion of the informal economy.

In an effort to ensure a skilled and well-trained workforce, the Mangaung Local Municipality succeeded in training 100 people in bookkeeping and basic business. In addition, MLM has experienced a 1% per annum increase in literacy rate, while 87 learners were trained through MLM supported interventions.

The Motheo District Municipality; the Department of Education and the Small Enterprise Development Agency (Mangaung Branch) succeeded in establishing the following three programmes matched to the market demand:

- Trained and placed 20 community members in furniture making with certificate NQF level 2;
- Trained and placed 20 community members in new venture creations with certificate NQF level 2;
- Trained and placed 47 learners in business with the National Certificate in Business Administration NQF level 3

In addition, more than 443 PDI SMMEs were assisted by the local financial institutions to either start or expand existing businesses. Two co-operatives, coffin making and roof sheeting, were also established through the assistance of Mangaung Branch of Small Enterprise Development Agency.

MLM is also tasked to manage the informal traders. To date, a total of 757 street traders were registered out of which 466 were defaulters. For the period under review, MLM registered 30 new street traders through the street traders permit system. A lack of adequate sites for new hawkers is a constraint.

## **Investment Promotion and Sectoral Development**

The N8 Development Corridor programme is part of the broader investment promotion initiatives of MLM aiming to exploit economic opportunities in the south eastern part of the city and also to combine the city node with other satellite nodes like Botshabelo and Thaba Nchu in the eastern direction.

The airport mega node was established with the intention to combine activities situated on municipal land and those on Airports Company of South Africa (ACSA) land which consist of various market including transport, retail, warehousing and other. The main driver of the air port mega node will be the proposed international convention centre, the planning of which is currently in process.

In terms of the SDBIP developed for the financial year under review, one of the key activities was to attract investors to settle within the municipal area.

The attraction of national and international investors is underway for the year under review. Two international investors have been approached to set up investment in the city area. An automobile manufacturing concern and a cement production plant were ear marked as two possible key projects for investment. Feasibility studies were completed and were presented to the Local Business Chamber for consideration.

### **Tourism and marketing**

In terms of the MLM IDP the marketing of the municipality as a brand is one of the activities aimed at positioning the municipality as a destination in the tourism market. A number of initiatives were undertaken in order to realise this goal. The following actions took place during the year under review:

- Six advertisements in prime tourism magazines
- National and community radio advertisements (3 weeks)
- The hosting of four local tourism exhibitions in various localities in Mangaung
- Advertising in the Visitor's Guide
- Participation in the Tourism Indaba – international show Durban, South Africa.
- Support of cultural activities such as MACUFE, Sporting events, etc.
- The planning of a Visitor's Information Centre (VIC) in the CBD
- The planning of the Home Stay Project in preparation for the 2010 Soccer World Cup

### **Promote sustainable settlements and quality of urban and rural environments**

The IDP of MLM requires that the inhabitants should be provided with adequate housing in sustainable settlements. Several programs have been developed to achieve this objective including:

- Infill planning
- Greenfields development
- Upgrading of informal settlements
- Densification of existing areas
- Socio-Economic Integration
- Inner city rejuvenation

For the year under review, Khotsong and Caleb Motshabi were ear marked for development as part of the upgrading of the informal settlements programme. The purchase and transfer of the land in question took place in October 2007. The process of township establishment commenced by way of procurement of service providers. The project will yield approximately 12 000 housing opportunities to the residents of the area.

### **Urban Edge Determination**

In order to reach a situation where MLM had a well-defined urban edge within which municipal services could be provided on a sustainable basis, a process of consultation with the development community was initiated. This process was planned to unfold during the entire financial year by way of quarterly meetings that were held to determine the best suitable areas for provision of services. In the end of the consultative processes the urban edge was defined and brought onto the reviewed Spatial Development Framework of 2007/08.

### **Urban integration and redress imbalances of the past**

In order to promote social -economic integration MLM has undertaken to identify strategically located portions of land for the development of sustainable human settlements. To this end the areas including Cecelia; Vista Park; Kwaggafontein; Brandkop Race track and Pellisier were identified.

Consultations with the local developers were undertaken and resulted in the agreement to develop an infrastructure master plan as well as an investment strategy for the roll out of the infrastructure in order to attract private sector investment.

### **Land use management system for sustainable use of land**

Mangaung Local Municipality was established in 2000 by way of amalgamating five Transitional Local Councils where each had a land use system that was in use in terms of the prescriptions of the Free State Ordinance on Townships and Town Planning No 9 of 1969. The exception was the former township of Bloemfontein (Mangaung) which made use of the provisions of "Annexure F". The situation posed problems of managing the land use because of the absence of a uniform system of land use control. The development of a land use management system was conceived to provide an all encompassing tool that would be applied to the entire municipal area. The procurement of service providers for the execution of the project was completed and the appointment was done in May 2008.

### **Integration of Bloemfontein CBD with the historical and recreational precincts**

The CBD Master Plan, adopted by Council in 2005/06, identified a number of interventions which were converted into projects aimed at improving the living conditions and economic viability of the CBD. A number of projects were identified and systematically implemented in accordance with the prescriptions of the Master Plan. The following projects have been undertaken and successfully completed:

- Pedestrianization of Elizabeth Street (100% complete)
- Pedestrianization of President Brand (detail design stage)
- Pedestrianization of Selbourne Avenue(100% complete)
- Pedestrianization of Maitland Street. (detailed design)
- Hoffman Square Redevelopment (detailed design – due 08/09)

### **Increase residential density within the CBDs**

The CBD Master Plan also identified specific areas where a mixed land-use would be allowed in order to introduce residential components within the CBD area. In order to realize this objective, the Housing division is tasked with the development of the necessary capacity to establish social housing within the CBD. A pilot project was identified as the Brandwag Flats area.

### **Business Improvement Districts (BID)**

As part of the CBD rejuvenation strategy, BIDs need to be established. The BID involves the collaboration of property owners, tenants and the local municipality whereby an entity is established with the sole purpose of creating conducive conditions for business to take place around an identified area in the CBD. The intention is to add onto the general management, upkeep, safety and security as well as the maintenance of the identified area.

Floreat Mall and the Russel Square Taxi Rank have been identified as the two BIDs to be established. These areas have been delineated and a framework plan is currently being developed.

### **Rural Development**

Rural development has been identified by MLM as a key intervention to reduce urban migration and to make rural communities more sustainable. The division was able to facilitate the increase in the economic opportunities in the rural areas by training the emerging farmers in animal health, branding, dehorning and auctioning. In addition, 95 emerging farmers were assisted in commonages where the live-stock farmers received further training. A further 150 emerging farmers received support through other interventions.

In order to promote corporative governance, meetings were held with the departments of Agriculture, Land Affairs and Department of Water Affairs and Forestry (DWAF) with the objective of co-ordinating service delivery at local level.

Meetings were further held with the internal directorates of MLM to discuss the challenges faced by the rural communities.

### **Integrated transport plan**

In terms of the National Transitional Land Transport Act, each municipality is obliged to develop an integrated transport plan (ITP) for the area of jurisdiction, the plan forms an integral part of the IDP of that municipality. In this regard MLM developed the Integrated Transport Plan for this purpose. Flowing from the report where a number of projects that are currently being incrementally implemented per financial year, eg. The pedestrianization projects as discussed in paragraphs above and many more will follow.

### **Improving the accessibility of the CBDs**

In terms of the provisions of the IDP the Municipality has to focus on the enhancement of accessibility within the three CBD's forming the nucleus of economic activity. To this end the implementation of key performance areas 1-3 of the Mangaung Activity Corridor became due for completion in July 2007.

Implementation of the Mangaung Activity Corridor to include Chief Moroka

This project is a continuation of the Mangaung Activity Corridor that spans over a distance of 7 km and constitutes a spine of economic activities which are intended to provide services within the Mangaung community. Work was commenced with during 2007 and is scheduled for completion in April 2009. The project includes the new stormwater management as well as the extension of the road for the amount of R24 437 348.

### **Building Control**

In terms of the management of the built environment, strict compliance to the National Building Regulations is a legislative requirement which must be strictly adhered to. For the year under review (July – June 2008) the total of 2796 plans were evaluated, representing 460 814 square metres of development with a value of R1.2 billion.

The Building Management Division has been established to oversee the co-ordination of MLM projects. For the year under review work was carried out in respect of the following client departments:

Financial management	R7.052m
Community and Social Development	R0.3m
Economic Development	R1.26m

### **Property Division**

The intention of the municipality is to increase the revenue base to ensure financial sustainability and to this extent new lease applications and renewals that amount to R937, 219.20 and R197, 048.76 per annum respectively have been approved. This had the effect of increasing the rental on sundry properties to R4 138 053.

### **Facilitate the selling of 14 leased shops in Mangaung**

Council has approved the allocation of a total of 20 shops to the recommended tenants with a view to sell and transfer ownership of those shops.

### **Ensure the proper management of assets.**

- Proper lease contract register for sundry properties
- Draft asset register
- Draft asset register with depreciated value.

The matter of the asset register was by agreement between the Executive Director: Economic Development and Planning and Executive Director: Finance removed from Property Management to Finance to deal with the establishment of an asset register that will comply to required financial reporting standards. The asset register will include all assets of the municipality.

### **Land management**

In line with the national and local policies of the empowering previously disadvantaged individuals, Council adopted targets to realize this objective.

- To allocate commercial land to 11 PDI's

Council approved the allocation of commercial land to 39 PDI's in the year under review which exceeded the targeted number by 28.

### **Ensure that land is available for sustainable development in Mangaung**

- 6ha of industrial land in Mangaung
- 80 ha of residential land in Mangaung
- 10,000 sq metres of business erven in Mangaung

To facilitate housing development in Rodenbeck on the 28 September 2007 a Deed of Donation was signed with the Provincial Government to take transfer of 27 plots measuring 102.7848 hectares for housing development in Rodenbeck. This acquisition will make it possible that the targets mentioned above will be catered for at the planning phase.

### **Acquire land in Grassland phase 4 for development**

- Acquire 100 ha of land in Grassland phase 4 for development

For the financial year under review, the capital budget amount was provided for, which was used to purchase 14 small holdings in Grassland. This measured a total of 51, 3924 hectares for which the formalization of Grassland Phase 4 will take place.

The intention was to acquire 100 ha, however only 51 ha was acquired by the end of the year. This was largely due to the reluctance of owners to sell their properties.

### **Acquire properties for the upgrading of Parfitt Avenue**

- 3 Properties registered in the name of the municipality

The acquisition of properties in Parfitt Avenue is intended to pave way for the road widening project by Infrastructural Services and to this extent several properties were acquired namely: Unit 1,2,3 and 5 of the magnolia flats, a portion of erf 26779,2379,25056.

### **Facilitate the allocation of business, industrial and residential erven**

- 5 Business erven
- 20 Industrial erven
- 30 Residential erven

To promote the participation of PDI's in commercial property development the following erven were deliberately allocated to the previously disadvantaged persons.

- Business erven: 22
- Industrial erven: 4
- Townhouse erven: 4

During the financial year 2007/2008, a report was submitted to Council and approved to allocate the following:

- Industrial erven: 75
- Residential erven 70

#### **Ensure registration of townships in Mangaung**

- Register 3 townships in Mangaung.

For the financial 2007/2008 the following township registers were opened.

Grassland 3- Heidedal ext 29	2808 Erven	Registered on 15/07/2008
Botshabelo A	2417 Erven	Registered on 29/11/07
Botshabelo B	897 Erven	Registered on 15/07/2008
Botshabelo C	2808 Erven	Registered on 15/07/2008
Botshabelo D	2192 Erven	Registered on 15/07/2008
Botshabelo E	2051 Erven	Registered on 15/07/2008
Botshabelo G	1327 Erven	Registered on 15/07/2008
Botshabelo R	2540 Erven	Registered on 15/07/2008
Botshabelo V	1533 Erven	Registered on 15/07/2008
Botshabelo B	897 Erven	Registered on 15/07/2008

#### **Allocate land to promote economic empowerment of PDI's**

- 80 hectares land made available for development by PDIs

To facilitate access to land to previously disadvantaged persons 84,8249 hectares of land were allocated in the financial year 2007/2008.

#### **Environmental Management**

The environmental management unit exists to promote sustainable development practices within MLM and ensure the responsible use of natural resources.

## **Environmental Awareness**

In an effort to promote environmental justice and environmental rights, environmental awareness needs to be implemented. To promote environmental awareness, environmental school policies were developed for 28 schools. In addition, more than 20 environmental clubs were established. Both schools and environmental clubs were exposed to awareness material on water & energy, environmental rights at water week celebrations, youth summit & world environment week. In MLM, officials were exposed to environmental issues through various newsletters as well as environmental events.

During April 2008, National Water Week was celebrated at Rustfontein Dam, Selosesha Sewerage Treatment Plant & Grootdam Purification works. Learners from 24 schools participated in this event. This campaign cost R51 000.

During June 2008, World Environment Week was celebrated. This event culminated in an Environmental Summit. Learners & educators from 12 schools as well as members from the various environmental clubs participated in this event. The event was costed at R48 000.00.

## **Impact Management**

In terms of Environmental Impact Assessment (EIA) regulations, developments need to be assessed for environmental considerations. For the period under review, a total of 61 applications for EIAs were assessed. A further 37 applications for township establishment were also reviewed.

The urban open space policy and framework of MLM requires development applications in open spaces to be assessed in terms of land use, public participation & density patterns. Comments were submitted for 46 applications for release of open spaces. A further 82 site inspections were conducted on open spaces. A survey of open spaces was also conducted in the Bloemfontein North region with the aim to assess the feasibility of open spaces in that area.

In an effort for MLM itself to improve environmental performance, an environmental management system (EMS) was developed for the Fresh Produce market. This project is part of the roll-out plan for MLM facilities to be compliant to international environmental standards.

## **Pollution Control**

In terms of the Air Quality Management Act, municipalities need to ensure that air quality standards are within acceptable legal limits. Air quality is being monitored in terms of the air quality management plan of MLM. Three new monitoring stations, at a cost of almost R2 million, were established to monitor parameters such as sulphur dioxide, dust particulates & weather conditions. The old Bayswater clinic has been renovated at a cost of R136 000 and converted into an environmental laboratory to analyze air & ambient water quality.

It is also important to monitor ambient water quality. A water quality management plan was drafted to guide MLM for this task.

### **Outdoor Advertising Control**

MLM has a constitutional mandate to manage & control outdoor advertising. New by-laws, together with new application forms and tariffs have been drafted and is undergoing public participation. The office has handled telephone and office enquiries from prospective advertisers. 57 letters of acknowledgement have been issued for advertising applications. More than 10 compliance notices for illegal advertising were also issued. The municipality also erected 14 of its own billboards for community notices of important events.

### **Biodiversity Management**

MLM has a responsibility to utilize its natural resources in a responsible manner. In order to promote conservation and eco-tourism, Biodiversity needs to be managed in terms of the legislation such as the Biodiversity Act and Protected Areas Act.

The Seven Dams Area was identified as location that was under threat of loss of biodiversity which needed intervention. As a first step towards this, a Management Plan for the Seven Dams area was developed. This was done through scientific research and public participation with various stakeholders such as the Friends of the Seven Dams.

MLM as a host city has also focused on environmental issues during the 2010 soccer world cup. In preparation for 2010, a greening strategy referred to as the 'green goal' has also been drafted. This green goal has identified various projects that, if implemented, would contribute towards the greening of this event.

### **Housing**

In terms of the provisions of the IDP the municipality is expected to reduce the housing backlog so that the Mangaung citizens can live in sustainable human settlement with well designed and quality homes, a range of tenure options and access to goods and services. In the year under review different housing programs were implemented to achieve this.

- 1 500 houses are built by Mangaung Local Municipality as developer to NHBRC standards.

Permanent residential structures provided through the subsidy scheme during the 2007/08 financial year ensured that beneficiaries got legal security facilitated by issuing of title deeds, infrastructural services, socio-economic facilities, internal and external privacy, as well as domestic energy supply.

During this financial year, 2500 permanent structures were provided through the subsidy scheme, of which 2005 were completed, 303 were still under construction by the end of the financial year, while the construction of 192 is still to commence. The value of the project amounted to R112.5 million for the 2007/08 financial year.

- Upgrade 1000 dilapidated houses in Mangaung

The MLM was expected to upgrade some of the dilapidated houses in the Batho area. The target was to rebuild or upgrade 100 dilapidated houses in Mangaung, recycling materials in some instances and retaining the historical character of the houses were possible.

This was supposed to be joint project between the municipality and Free State Department of Local Government and Housing. Whilst 0% had been achieved, a lot of preparatory work had been done behind the scenes to ensure that ultimately 1000 dilapidated houses were upgraded and the dignity of the residents restored.

- Promote various designs and energy efficiency

Over the years the municipality has been encouraging innovation regarding the development of various housing designs and promoting energy efficient methods in housing development. The hostel redevelopment project in Batho area was one such project where semi detached duplexes were designed and 50 units constructed in 2007/08.

- Upgrade Land Tenure in Mangaung

In terms of Conversion of Certain Rights to Leasehold Act 81, of 1988, the Mangaung Local municipality has submitted 1432 declarations of beneficiaries to the province to have tenure of these properties converted into full ownership. 1073 thereof have been registered and the beneficiaries have been issued with the Title Deed of ownership by June 2008.

- Ensure that all houses in Mangaung comply with NHBRC standards

National Home Builders Registration Council's standards must be adhered to all the time in the provision of housing in the municipality. In the year under review, these standards have been included as qualifying criteria for contractors to be registered with NHBRC so as to qualify and be allocated housing subsidies. To participate in the low cost housing programmes contractors are required to comply 100% with the NHBRC standards.

The Project Coordination section has been established in the Housing sub-directorate, staffed with competent officials to service all the regions of the municipality with monitoring and evaluation of all the projects to ensure that all houses comply with the NHBRC standards. Before any housing product can be certified complete, the Project Coordinators do inspections in line with the NHBRC guidelines. This is the standard procedure for all housing projects and therefore ensured that 100% target is achieved.

- To ensure that MLM is accredited to administer National Housing Programmes

The accreditation of the Mangaung Local municipality to directly perform and deliver housing is an important project nationally, provincially and locally. In acknowledging this, Council approved the Accreditation Business Plan (ABP) on the 31 July 2006, in order to ensure that this project is executed in an orderly manner complying with the Accreditation Framework. The National and Provincial departments have accepted the ABP and have committed themselves to supporting the municipality to achieve this goal.

The ABP was developed through focussed consultative and interactive processes and amongst others this plan has identified housing delivery constraints and targeted interventions required, like skills development and infrastructure positioning to be able to perform Level One delegations.

Over the last three years, the municipality has been focusing on building the required capacity at all levels, supported by both province and national.

The challenge at the moment is that functions of the Level One Accreditation have not been delegated to the municipality by the province despite evidence that the municipality is ready to perform.

- Teach beneficiaries about implications of various tenure options

A Home Ownership Education Programme has been developed to teach beneficiaries about various housing tenure available for them and their rights as new owners of property. All beneficiaries are exposed to this information from the time they apply for subsidies; up to the time they receive the keys to their new houses.

- Prioritised South Africans for housing (subsidies)

It is a prerequisite of the government to provide South Africans with housing, therefore proof of South African citizenship is a primary requirement for one to qualify for a low cost housing subsidy provided by government. This requirement has been strictly adhered to, in ensuring that South Africans receive priority in housing delivery.

- Dealing with disasters in relation to housing

In order to respond to the small scale emergency situations, the sub-directorate was able to deliver temporary shelter to the targeted beneficiaries for the 2007/ 08 financial year.

Experience has taught us that the large scale disasters proved to be complex for the directorate to deal with because it has not been properly constituted to respond to such disasters. The municipality has established a specialist sub directorate (Emergency Services) which is more suited to deal with such matters in a coordinated manner.

### **Rental housing**

In terms of the IDP, the municipality intends to accommodate 2500 households in medium density housing, with various tenure options such as rent; rent to buy and full ownership.

The Hostel Redevelopment Project at White City in Mangaung was planned to provide a total 360 units consisting of 100 semi detached units with the rest being Community Residential Units (CRU) carried out jointly by the Mangaung Local Municipality and the Free State Department of LG & Housing. An amount of R9.2 million has been spent for the installation of internal civil services.

- Improvement of conditions in MLM Rental stock

As part of the housing sector plan of MLM, the municipality needs to manage and maintain its rental stock. In order for this rental stock to generate revenue and provide adequate housing its needs to be maintained to acceptable standards. The Brandwag rental stock has been targeted as a pilot project to introduce social housing within the municipality.

The project to develop Brandwag rental stock into a Social Housing programme was conceived in 2005/06, where MLM and the Free State Department of Local Government and Housing identified Brandwag as a provisional Restructuring Zone from which a Social Housing project is to be implemented. This project includes amongst other things upgrading of the existing 351 rental units and the construction of the additional 650 units. For this work a service provider has been appointed who is expected to be responsible for the construction work, as well as the management of the existing stock until a Social Housing Institute (SHI) has been established to manage this stock as required by the Social Housing Framework.

- Teach beneficiaries about various tenure options available for them

A Home Ownership Education Programme has been developed to teach beneficiaries about various housing tenure options. All beneficiaries are exposed to this information from the time they apply for housing subsidies; up to the time they receive the keys to their new houses.

## **STRATEGIC PRIORITY: GOOD GOVERNANCE**

<b>KEY MUNICIPAL OBJECTIVES:</b>	Ensure service delivery by developing new infrastructure Performance Management System (PMS) aligned to the IDP, developed and implemented; Endure safety and security of the Mangaung residents;
<b>KEY RESULTS:</b>	Invested R266.8 million in the development of new infrastructure; Partnered with the police and other law enforcement agencies by embarking on a series on crime prevention activities; Invested R173.7 million into the infrastructure to host a successful 2010 World Cup; Implemented Integrated Development Plan as well as service delivery and budget implementation plan of the Municipality.

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Overall the objective of the Office of the City Manager is to provide strategic and quality management, operational leadership and support. Through the implementation of the Integrated Development Plans as well as service delivery and budget implementation plan of the Municipality, the operations of Council were improved and decisions of Council were actualized that ensured staff works together with a corporate focus in providing services efficiently to the Mangaung community.

As part of the re-alignment of the organization a new role of Deputy Executive Director was created, reporting directly to the City Manager, with the primary purpose of ensuring proper coordination with continuous improvement focus and that performance is monitored and incorporated into regular reporting to enhance the image, accountability and transparency of Council to the community. The Mangaung Local Municipality has embraced various directorates' scorecard and measurement as tools for improvement and quality control. The Municipality is committed to continually monitoring its performance in key areas and to identify best practices for program and service delivery.

The system of monthly, quarterly and mid-year reporting on the implementation of the service delivery and budget implementation plans was effected and was still in the process of review. Improved process will be implemented in the 2008/2009 financial year to achieve this very important reporting initiative.

## **MANGAUNG 2010 WORLD CUP OFFICE**

KEY MUNICIPAL OBJECTIVES:	Implementation of 2010 special projects and adherence to relevant compliance areas; Successful preparation of Mangaung for the FIFA Confederations Cup; Increased participation of SMME's, BEE companies and local labour in the procurement of 2010 related services ; Increase local and international awareness of 2010 Soccer World Cup.
KEY RESULTS:	Designed the official Mangaung Host City Poster; Partnered with the Cities of Maseru and Kimberley in terms of tourism, accommodation and hospitality; Mangaung Local Municipality and Free State Provincial government signed MOU to manage the 2010 FIFA World Cup™ preparations ; The upgrading of the Free State stadium was 50% complete by the end of the financial year; Developed 2010 Transport Plan with a funding of R600 million; 2010 Marketing & Communications plan to guide all promotional and communication activities for 2009 FIFA Confederations Cup and the 2010 FIFA World Cup is in place; Launched Mangaung Host City Composite Logo.

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Mangaung is gearing up as a host city for both the FIFA Confederations Cup 2009 as well as the 2010 FIFA World Cup™. The city has transformed itself into a construction site to accommodate the biggest sporting event on the globe, the 2010 FIFA World Cup™. The city has simultaneously engaged the local stakeholders regarding the business and economic opportunities that the world cup event will bring to South Africa, including how ordinary citizens could get involved with the preparations for 2010. In addition, engagement with the local schools and education institutions around their participation has also taken place.

Mangaung is in the fortunate position to be one of the four cities in the country that will also be hosting the Confederations Cup from 14 to 28 June 2009. This will afford it the opportunity to test its hosting ability for the World Cup. In terms of FIFA requirements, the upgrading of the Free State Stadium must be completed by the end of December 2008, but the city is still aiming for a completion date earlier than the FIFA deadline.

There have also been some exciting projects that have emerged during the preparations such as the design of the official Mangaung Host City Poster. Projects such as these afford ordinary citizens of the Mangaung to get involved and benefit from the preparations for the World Cup. Mangaung has already selected a winning design for its official Host City Poster created by a young talented local artist. The poster, still to be officially launched by FIFA, is sure to be a souvenir for the football fans and creatively depict the tournament in a Mangaung and ultimately an African way.

In ensuring that the hosting of the 2010 World Cup in Mangaung is a truly African event, the city has looked beyond its borders and partnered with the neighbouring City of Maseru from Lesotho as well as other towns in Central South Africa such as Kimberley in its preparations. Both in terms of tourism, accommodation and hospitality, the Central Region has a great deal to offer. The FIFA Confederations Cup 2009 and the 2010 FIFA World Cup matches to be played in Mangaung will be the most memorable events ever to be hosted by the city. The city and its people are gearing up to ensure that they are indeed ready to host the world!

### **Institutional arrangement**

Mangaung Local Municipality together with the Free State Provincial government established a single committee structure to manage the 2010 FIFA World Cup™ preparations. In line with this committee structure, the two parties have signed a Memorandum of Understanding (MOU) to formalise this relationship. The MOU outlines the following areas:

- Role and responsibilities
- Areas requiring financial contribution from the province
- Participation of the province in the Mangaung 2010 committee structure
- Secondment of provincial personnel to the Mangaung 2010 Office
- Communication protocol

To ensure the day-to-day management of the 2010 activities, Mangaung established the Mangaung 2010 World Cup Office, headed by the CEO Mangaung 2010 with a direct reporting line to the City Manager. The CEO Mangaung 2010 was appointed during the review period in order to populate the structure within the shortest time possible.

### **Stadium Upgrading**

In August 2007, Mangaung appointed a Free State based RMIP Joint Venture, with more than 60% black ownership, as the successful bidder to be responsible for the construction of the upgrading of the Free State stadium. A total budget of R305.5 million has been set aside to cover the upgrading costs.

The work progressed reasonably well, despite challenges relating to longer site establishment due to unknown services, rainfall, and labour related strikes that were encountered at the beginning of the programme, as well as the continuous utilization of the stadium for matches during construction. As at the end of June 2008, about 50% of the work had been completed. Based on the detailed evaluation carried out by the professional team, the projected completion date is expected to occur towards the end of November 2008, one month ahead of the FIFA deadline of December 2008.

Based on the capital investment at the stadium, the Mangaung Local Municipality commenced with negotiations with the Free State Rugby Union regarding the review of the current long term lease agreement to ensure that the benefits of the investment made accrue to the stadium owner.

### **Transport Planning**

The 2010 transport plan developed by Mangaung was allocated an amount of over R600m by National government to implement the following PTIS projects:

- Inter-modal Public Transport Facility
- Widening of Nelson Mandela drive
- Widening of Parfitt avenue
- Pedestrianisation of Elizabeth Street
- Pedestrianisation of Selborne Avenue
- Bloemspruit Pedestrian Route
- ITS
- Airport link
- High capacity public transport service (IRPTN)

### **Marketing and Communication Plan**

The city together with the Free State Province have put together a 2010 Marketing & Communications plan to guide all promotional and communication activities in the run up to both the 2009 FIFA Confederations Cup as well as the 2010 FIFA World Cup.

### **Launching of the Mangaung Host City Composite Logo**

After FIFA approved the Mangaung Host City composite logo, the latter was launched in November 2007 at the Mangaung Outdoor Sports Centre in Rocklands, Bloemfontein. See figure 1 below for the Mangaung Host City composite logo.

Figure 1: The official Mangaung Host City Composite logo



### **Accommodation, Hospitality and Tourism**

Mangaung as a Host City for both the 2009 FIFA Confederations Cup and the 2010 FIFA World Cup is required to have available at least 20 000 beds to accommodate both the FIFA family as well as the expected 40 000 visitors to the city. The audit carried out revealed that the city has seen a number of new accommodation establishments springing up and the existing establishments upgrading their facilities. As a result the number of beds in the city was registered as 10 884 during the review period. Mangaung has started cooperating with neighbouring towns such as Kimberley, Upington, Maseru, etc, to increase the current accommodation establishments to about 21 000. The current challenge faced relates to the grading of the facilities and the slow contracting process with MATCH (company handling accommodation programme for FIFA).

## **CHAPTER 3: LOOKING AHEAD TO 2008/2009**

These key issues that will be pursued by the Municipal Council and administration through dedicated directorates are:

### **Road patching**

Due to normal structural fatigue, some of our roads require special attention to deal with potholes which erupt all over. We have been training teams of employees who will be ready at any given time to deal with such cases. We have also encouraged some of our local private contractors to prepare themselves for being involved in this exercise. One of the contractors already has the technical know-how in this field, whilst the other has attached some of its employees to our roads unit in order for them to gain the necessary skills and experience in pothole fixing.

The events will be taking place during winter, which unfortunately is a period when we experience a lot of pipe bursts. It is therefore critical that our roads unit works in close collaboration with Water and Sanitation maintenance teams. By so doing we hope to significantly reduce the turn-around-time in fixing leaking pipes and patching the road if such leaks occur within the road carriageway.

### **Road sweeping**

It is also incumbent upon our roads maintenance teams to ensure that our roads are kept as clean as possible. This will not only leave an indelible impression of our City in the minds of our visitors, but it will also promote an environment that is very much compelling for tourism attraction.

In order to achieve this we have put up specifications as guidelines for engaging private local contractors. We will be consulting with our LOC to get direction regarding their entrance into restricted zones. We have been utilizing the services on private contractors for quite some time now and we have heard positive reports from members of the public applauding the good work they have been doing.

### **Road marking**

This is equally, if not more, important road maintenance exercise. The main benefits derived from properly marked roads are safety of all road users and esthetics. We can with confidence say our teams have been doing a remarkably standard work in this regard. We have been very fortunate in the past that we received funding from the office of the Executive Mayor to train youth for roads marking. We have been maintaining contact with them with the hope that they will be considered first when work opportunities become available.

### **Stormwater systems**

This is one area which requires to be functional at any given time especially during rainy seasons. This is precisely why we service our system annually by opening stormwater catch pits, cleaning channels and canals to ensure free flow of stormwater. We have also put up specification for upgrading catch pits. An annual tender is currently going through evaluation through various committees after which contractors will be appointed for this work. Every year we engage the services of specialized equipment which

cleans underground storm water pipes. This will be done next year and the year after despite the fact that the events will be taking place during winter when the risk of floods is considered very minimal.

#### **Street names and other road furniture**

We have lost many street names and other important road signs due to vandalism and some having been knocked down by vehicles. This is undoubtedly making life difficult for some services like the delivery of post to be carried out effectively and efficiently. What is more hurting is that emergency services like the ambulances and the police are severely hampered by this state of affairs.

To address this, our maintenance unit has put out an advertisement to get quotations from service providers to manufacture those missing street names and road signs. This exercise started already since the last financial year. Two teams were dedicated to replace the furniture. Last year a total of 1 200 road signs and street names were replaced in various suburbs of Mangaung last year. Due to inadequate funding for this exercise, the amount of work done was relatively small and had to be suspended when the maintenance funds became depleted. Work has, however, resumed now that the new financial has started. We are also looking for assistance from allocations made for the 2010 projects. What remains outstanding is the process of naming streets in some residential areas. This is a process which should be driven by Section 80 Committee of the Municipality through the directorate of Economic Development and Planning.

The main challenges we are faced with amid all these is that we operate under tight budgetary constraints. We are, however confident that we will all work towards fulfilling the aspiration of our municipality and its residents.

#### Roads and Stormwater

An amount of R 89 million will be spent in 2008/09 financial year on the projects were supposed to be implemented during 2007/08 using MIG and MLM counter funding.

#### Water and Sanitation

An amount of R 113 million will be spent on 2008/09 financial year on phase three of the bucket eradication programme using MIG and MLM counter funding.

#### Solid Waste

An amount of R 6.4 million will be spent on 2008/09 financial year on cleaning campaigns throughout Mangaung as well as on SMME development.

#### **Local Economic Development**

Local Economic Development (LED) must be actively pursued as it is one of the pillars of Local Government. To enable the LED sub directorate to function more effectively, the following areas must be focused upon:

- The sub directorate will review and reconstitute the indicators as indicated in the IDP to align them with market indicators that would enable the municipality to measure progress by way of acceptable methods;
- The establishment of BIDs will be elevated as one of the top priorities for the subsequent financial year ;
- In line with national thinking more resources will need to be allocated to Rural Development.
- To diversify and strengthen the economy, national and international investors must be pursued more vigorously;
- More emphasis must be placed on industrial development.

### **Housing**

One major challenge facing the Municipality is the continued proliferation of informal settlements. Like all other growing urban centers in South Africa, the municipality, and in particular Bloemfontein is finding it difficult to catch up with the demand for residential stands for housing. It is no doubt that the high prevalence of informal settlements calls for innovative approach to proving housing. Going forward the municipality is looking at:

- Compiling concise and up-to-date information on informal settlements through the taking of aerial photographs of all the settlements of Mangaung as well as conducting social surveys ;
- Proactive acquisition and development of suitable land as well as allocation of serviced sites to residents ahead of the allocation of housing subsidies; and
- Compiling a transparent and accessible Housing Waiting List, this will enable the orderly allocation of housing to the needy.

### **Environmental Management**

In line with both National and International policies and trends, MLM needs to increase its implementation of sustainable development practices where socio-economic and bio-physical factors are incorporated into decision-making processes. The natural resources need to be utilized responsibly for current and future generation. Some of the areas to be addressed are:

- Energy conservation and addressing climate change are key areas that need to be addressed more vigorously. MLM need to develop and implement relevant policies to address these local and global challenges;
- The local communities also need to be more actively involved in environmental issues and an active environmental NGO needs to be established;
- MLM needs to continue rolling out its air quality monitoring plan by establishing air quality stations in Botshabelo and Thaba Nchu. By monitoring the air quality and implementing necessary interventions, the citizens will continue to enjoy clean healthy air;
- MLM needs to implement the new outdoor advertising by-laws. All illegal signs need to be removed and all advertising must meet society, planning, environmental and traffic regulations. MLM also intend to improve its revenue collection with regard to this function.

## **Property and Land Management**

It is the current MLM policy to dispose of land to individuals and companies to participate in the main stream of the economy. This strategy has proven unsustainable because land available to the municipality is often depleted leading to the municipality having to acquire land at a higher price.

In the forthcoming financial year the sub directorate will put together proposals to review the strategy in such a manner that the available land can be used as a long term source of income to the municipality while satisfying the need to enable individuals and companies to participate in the main stream economy. The option to retain land, develop land as well as to lease land will be further explored.

## **Planning**

One of the challenges facing MLM is to integrate the various functions of the different directorates for effective development of MLM. A city development strategy needs to be developed to address this gap so that an integrated approach towards development can take place. The integrated development planning process should ensure that various directorates contribute in a meaningful way to enable the production of workable plans. A good example is the development of the infrastructure investment master plan.

Another challenge facing MLM is to address the apartheid legacy planning that is still prevalent in the built environment. The concept of sustainable livelihoods needs to be promoted where communities across the socio-economic spectrum are integrated.

## CHAPTER 4: HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

### Implementation of Existing Human Resource Policies, Strategies and Plans

In terms of the Employment Equity Plan, the municipality has made significant strides in ensuring representation at the different levels within the organization. The following employment equity targets were set for the municipality for the 2007/8 financial year:

- 70 % of staff employed in the three highest levels of management should be Black people (i.e. African, Indian and Coloured);
- 40 % of staff employed in the three highest levels of management should be women;
- 2 % of staff employed in different categories and levels should be people with disabilities; and
- 50% of staff employed in different categories and levels should be black people (i.e. African, Indian and Coloured).

The table below contrasts the above-mentioned employment equity targets against the actual employee statistics as on 30 June 2008:

Employment Equity statistics as on 30 June 2008

Employment Equity Target	Actual employee statistics as on 30 June 2008
70 % of staff employed in the three highest levels of management should be Black people (African, Indian and Coloured)	85%
40 % of staff employed in the three highest levels of management should be women	23%
2 % of staff employed in different categories and levels should be people with disabilities	0,3%
50% of staff employed in different categories and levels should be black people (African, Indian and Coloured)	89%

As can be seen from the information presented in Table 3.1 Black people are at present over-represented in the three highest levels of management and in the different employment categories and levels in the municipality, whilst women are under-represented in the three highest levels of management and people with disabilities are also under-represented in the workforce. These are however issues that cannot be corrected overnight as the staff composition can only be changed to mirror the employment equity targets through the process of filling vacancies as they arise in a manner that would lead to the achievement of the targets.

The employment equity statistics with regard to gender representivity per Directorate over the past two financial years are included in the Tables below.

Employment equity statistics with regard to gender representivity as reflected in terms of numbers on 30 June 2008 and 30 June 2007

		MALES				FEMALES				TOTAL
		African	Coloured	Indian	White	African	Coloured	Indian	White	
Office of the City Manager	2008	84	2	0	8	34	8	1	11	148
	2007	79	2	0	8	28	6	1	10	134
Community and Social Development	2008	565	43	2	89	175	12	0	49	935
	2007	549	42	2	88	157	12	0	49	899
Economic Development and Planning	2008	120	13	2	23	51	6	0	10	225
	2007	114	13	2	23	44	6	0	10	212
Corporate Services	2008	107	4	0	13	98	13	0	18	253
	2007	104	3	0	13	90	11	0	18	239
Finance	2008	93	9	0	32	64	12	0	32	242
	2007	92	9	0	32	59	12	0	32	236
Infra structural Services	2008	1058	23	0	78	331	8	0	7	1505
	2007	998	22	0	78	321	8	0	7	1434
Centlec	2008	290	23	1	81	27	5	0	7	434
	2007	284	22	1	79	25	5	0	7	423
TOTAL	2008	2317	117	5	324	780	64	1	134	3742
	2007	2220	113	5	321	724	60	1	133	3577

#### NUMBER OF AFRICAN

FEMALE EMPLOYEES= 780 2008  
EMPLOYEES = 724 2007

#### NUMBER OF AFRICAN MALE

EMPLOYEES = 2317 2008  
EMPLOYEES = 2220 2007

#### NUMBER OF COLOURED

FEMALE EMPLOYEES= 64 2008  
EMPLOYEES = 60 2007

#### NUMBER OF COLOURED MALE

EMPLOYEES = 117 2008  
EMPLOYEES = 113 2007

#### NUMBER OF INDIAN

FEMALE EMPLOYEES= 1 2008  
EMPLOYEES = 1 2007

#### NUMBER OF INDIAN MALE

EMPLOYEES = 5 2008  
EMPLOYEES = 5 2007

#### NUMBER OF WHITE

FEMALE EMPLOYEES= 134 2008  
EMPLOYEES = 133 2007

#### NUMBER OF WHITE MALE

EMPLOYEES = 324 2008  
EMPLOYEES = 321 2007

Employment equity statistics with regard to gender representivity as reflected in terms of percentages on 30 June 2008 and 30 June 2007

		MALES				FEMALES				TOTAL
		% African	% Colour	% Indian	% White	% African	% Colour	% Indian	% White	
Office of the City Manager	2008	22.9	5.4	0.6	7.5	56.7	1.4	0	5.5	100
	2007	58.95	1.49	0	5.97	20.89	4.47	0.74	7.49	100
Community and Social Development	2008	60.4	4.6	0.2	9.6	18.7	1.3	0	5.2	100
	2007	61.06	4.67	0.22	9.79	17.46	1.33	0	5.45	100
Economic Development and Planning	2008	53.3	5.9	0.8	10.4	22.6	2.6	0	4.4	100
	2007	53.77	6.13	0.94	10.84	20.75	2.83	0	4.71	100
Corporate Services	2008	42.2	1.7	0	5.2	38.7	5.1	0	7.1	100
	2007	43.51	1.25	0	5.43	37.65	4.60	0	7.53	100
Finance	2008	38.4	3.7	0	13.3	26.4	5	0	13.2	100
	2007	38.98	3.8	0	13.55	25	5.08	0	13.55	100
Infrastructural Services	2008	70.3	1.6	0	5.2	22	0.5	0	0.4	100
	2007	69.59	1.53	0	5.44	22.38	0.55	0	0.49	100
Centlec	2008	66.82	5.29	0.23	18.6	6.22	1.15	0	1.61	100
	2007	67.13	5.20	0.24	18.68	5.91	1.18	0	1.65	100
TOTAL	2008	61.91	3.12	0.13	8.65	20.84	1.75	0.02	3.58	100
	2007	62.06	3.16	0.14	8.97	20.24	1.68	0.02	3.72	100

**PERCENTAGE MALES FOR**

**MLM** 2008 **73.84**

2007 **79.76**

**PERCENTAGE FEMALES**

**FOR MLM** 2008 **26.16**

2007 **20.24**

**Filling of posts**

During the 2006/7 financial year 79.3% of the positions on the staff established were filled. The situation remained virtually unchanged during the 2007/8 financial year with 77.1% of the positions on the staff establishment filled on 30 June 2008. Budgetary constraints have been the major reason why the vacant positions on the staff establishment have not been filled during the 2007/8 financial year and it looks as if the majority of these positions will remain vacant during the 2008/9 financial year due to the same reason. Furthermore, the municipality also has to do a careful balancing act in order to ensure that its

total employee related costs remain within acceptable limits when compared to the total income of the municipality.

The high number of vacancies that exist within the municipality does however have a negative impact on other factors such as service delivery, overtime costs and employee moral.

The staff establishment of the municipality decrease with a total of 145 positions during the report period. Furthermore there was an increase in the number of positions that were filled as well as the number of vacant positions. A comparison of the staff establishment statistics as on 30 June 2008 and 30 June 2007 is given in Table below:

Comparison of the Staff Establishment statistics as on 30 June 2007 and 30 June 2008

	2008	2007	Increase/Decrease
Total number of posts (filled and vacant)	4 977	5 122	+145
Positions filled	3 837	4 063	+ 226
Positions vacant	1 140	1 059	+ 81

A detail breakdown of the staff establishment, as on 30 June 2008, according to Directorate, number of vacancies, number of incumbents and number of posts is given in Table 3.5 below. The vacancies -, incumbents- and posts columns are further broken down into columns which indicate whether the vacancies, incumbents or posts are permanent, temporary, part-time or frozen.

The layout of the below Table identical to that of the Table above and displays the staff establishment statistics as on 30 June 2007 for comparison purposes.

Staff Establishment statistics as on 30 June 2008

DIRECTORATES	VACANCIES						INCUMBENTS						POSTS					
	Perm	Temp	Part	Contr	Froz	Total	Perm	Temp	Part	Contr	Total	Perm	Temp	Part	Contr	Total		
Office of the City Manager	41	0	0	19	38	98	104	3	0	45	152	183	3	0	64	250		
Community and Social Dev	157	0	51	2	79	289	927	0	26	4	957	1163	0	77	6	1246		
Economic Dev and Planning	79		0	0	0	79	225	2	0	7	234	34	2	0	7	313		
Corporate Services	39	0	1	0	10	50	239	4	8	5	256	288	4	9	5	306		
Finance	61	0	0	0	0	61	246	3	0	3	252	307	3	0	3	313		
Infrastructural Services	427	1	0	2	0	430	1529	0	0	4	1533	1956	1	0	6	1963		
Centlec (PTY) Ltd	132	0	0	1	0	133	445	0	0	8	453	577	0	0	9	586		
<b>TOTAL</b>	<b>936</b>	<b>1</b>	<b>52</b>	<b>24</b>	<b>127</b>	<b>1140</b>	<b>3715</b>	<b>12</b>	<b>34</b>	<b>76</b>	<b>3837</b>	<b>4778</b>	<b>13</b>	<b>86</b>	<b>100</b>	<b>4977</b>		

Staff Establishment Statistics as on 30 June 2007

DIRECTORATES	VACANCIES						INCUMBENTS						POSTS				
	Perm	Temp	Part	Contr	Froz	Total	Perm	Temp	Part	Contr	Total	Perm	Temp	Part	Contr	Total	
Office of the City Manager	37	0	0	14	38	89	91	3	0	42	136	166	3	0	56	225	
Community and Social Dev	242	0	3	0	135	380	1073	1	47	6	1127	1450	1	50	6	1507	
Economic Dev and Planning	80	0	0	0	0	80	230	0	0	7	237	310	0	0	7	317	
Corporate Services	15	0	2	0	0	17	229	2	8	6	245	244	2	10	6	262	
Finance	20	2	2	2	2	28	255	2	10	3	270	277	4	12	5	298	
Infrastructural Services	342	0	33	2	0	377	1557	0	2	4	1563	1899	0	35	6	1940	
Centlec (PTY) Ltd	87	0	0	1	0	88	476	0	0	9	485	563	0	0	10	573	
<b>TOTAL</b>	<b>823</b>	<b>2</b>	<b>40</b>	<b>19</b>	<b>175</b>	<b>1059</b>	<b>3911</b>	<b>8</b>	<b>67</b>	<b>77</b>	<b>4063</b>	<b>4909</b>	<b>10</b>	<b>107</b>	<b>96</b>	<b>5122</b>	

**Employee related costs**

The total employee related costs increased with 3.33% from R 501 123 666 during the 2006/7 financial year to R 517 796 285 during the 2007/8 financial year. The table below shows the expenditure on employee related costs during the last two financial years:

Employee related costs for the 2007/8 and 2006/7 financial years

Item	2007/8	2006/7
Employee related costs – Salaries and wages	368,388,556	353,040,221
Employee related costs – Contributions for UIF, pensions and medical aid	81,872,594	79,604,233
Travel, motor car, accommodation, subsistence and other allowances	30,963,401	26,250,451
Housing benefits and allowances	4,544,706	4,006,838
Overtime payments	28,978,394	32,816,544
Performance bonuses	2,976,477	4,458,230
Long-service awards	19,467	18,659
Provision for bonuses	52,690	928,490
<b>Total employee related costs</b>	<b>517,796,285</b>	<b>501,123,666</b>
Included above are employees in service of the municipality, which are seconded to the municipal entity Centlec (Pty) Ltd. The total cost charged to Centlec in this regard is R 74,559,732 (2007: R 69,883,229) and is reflected in the statement of financial performance as income for agency services.		

The table below shows the trends of total employee related costs over the last six (6) years when expressed as a percentage of total expenditure:

Trends of total employee related costs over the last 6 years, expressed as a percentage of total expenditure (including Centlec)

Year	Total Employee Related Costs	Total Expenditure	Total Employee Related Costs as % of Total Expenditure
2002/2003	R 303 282 900	R 1 043 343 079	29.07%
2003/2004	R 339 965 290	R 1 153 556 564	29.47%
2004/2005	R 412 662 113	R 1 334 125 281	30.93%
2005/2006	R 442 097 983	R 1 363 811 259	32.42%
2006/2007	R 504 262 384	R 1 773 744 046	28.43%
2007/2008	R 519 414 931	R 1 845 806 527	28.14%

The expenditure on employee related costs is also expressed as a percentage of total income for the purposes of the Restructuring Grant conditionality which requires of the municipality to maintain a salary budget of 30% of the total income of the municipality.

Total Employee Related Costs as a percentage of total income during 2006/7 financial year

Year	Total Employee Related Costs	Total Income	Total Employee Related Costs as % of Total Income
2006/2007	R 501 123 666	R 1 690 480 318	29.64%
2007/2008	R 517 796 285	R 1 828 232 706	28.32%

The expenditure on overtime decreased with 14.81% from R 33 255 490 during the 2006/7 financial year to R 28 330 721 during the 2007/8 financial year. The increase in overtime costs can be attributed to the general annual salary increase of 8.3% which came into effect from 1 July 2007 as well as the fact that approximately 29% of the positions on the staff establishment were vacant during the year.

The table below shows the overtime costs in relation to the total employee related costs over the past two financial years:

Overtime costs as a percentage of Total Employee Related Costs

Year	Total Employee Related Costs	Overtime Costs	Overtime Costs as % of Total Employee Related Costs
2007/8	R 517 796 285	R 28 330 721	5.47%
2008/9	R 589 871 368	R 20 302 164	3.44%

The overtime costs were made up as follows by the different Directorates during the 2007/8 financial year:

Allocation of overtime costs to the different Directorates during the 2007/8 financial year

Directorate	Amount spent on overtime	% of Overtime Costs
Office of the City Manager	858,406	3.03%
Corporate Services	531,276	1.87%
Fresh Produce Market	331,066	1.17%
Finance	120,849	0.43%
Community and Social Development	4,528,604	15.98%
Economic Development	0	0.00%
Housing	27,898	0.10%
Infrastructure	9,487,925	33.49%
Water	6,188,517	21.84%
Centlec	6,256,180	22.08%
<b>TOTAL</b>	<b>R 28, 330,721</b>	<b>100%</b>

The three highest levels of management (i.e. the City Manager, the COO, CFO, Executive Directors and General Managers or Directors) contributed to 6.6 % of the municipality's total employee related costs during the 2007/8 financial year. These costs, called the Management Employee Related Costs, are expressed as a percentage (%) of the Total Employee Related Costs for the 2006/7 and 2007/8 financial years in the table below:

Management Employee Related Costs expressed as a percentage of Total Employee Related Costs

Total Employee Related Costs for 2007/8	Management Employee Related Costs for 2007/8	Management Employee Related costs as a % of Total Employee Related Costs for 2007/8
R 519 414 931	R 33 280 494	6.6%
Total Employee Related Costs for 2006/7	Management Employee Related Costs for 2006/7	Management Employee Related costs as a % of Total Employee Related Costs for 2006/7
R 504 262 384	R 37 148 879	7,3%

## **Disclosure of Information**

The remuneration of the MLM's Councillors was as follows:

Remuneration of Councillors over the last two financial years:

<b>REMUNERATION OF COUNCILLORS</b>	<b>2007/8</b>	<b>2006/7</b>
Executive Mayor	568,334	528,683
Deputy Executive Mayor	454,667	422,946
Speaker	454,677	422,946
Chief Whip	426,250	396,512
Mayoral Committee Members	3,836,250	3,568,608
Councillors	13,165,514	11,611,518
Councillors' medical and pension contributions	-	1,224,042
<b>Total Councillors' Remuneration</b>	<b>18,905,682</b>	<b>18,175,255</b>

The remuneration of the MLM's senior officials was as follows:

Remuneration of Senior Managers over the last two years

<b>REMUNERATION OF THE CITY MANAGER</b>	<b>2007/8</b>	<b>2006/7</b>
Annual remuneration	1,069,714	897,132
Performance bonus	-	55,271
Car allowance	180,000	180,000
Contribution to UIF, medical and pension funds	15,679	14,339
<b>Total</b>	<b>1,265,393</b>	<b>1,146,742</b>

The remuneration as reflected in 2007 is for a period of 10 months.

<b>REMUNERATION OF THE CHIEF FINANCIAL OFFICER</b>	<b>2007/8</b>	<b>2006/7</b>
Annual remuneration	681,423	507,144
Performance bonus	-	125,512
Car allowance	156,000	123,564
Contribution to UIF, medical and pension funds	164,232	88,743
<b>Total</b>	<b>1,001,655</b>	<b>844,963</b>

The contract of the previous CFO terminated on 30 November 2006. He acted as CFO up to 12 March 2007. A new CFO was appointed on 13 March 2007.

<b>REMUNERATION OF THE CHIEF OPERATING OFFICER</b>	<b>2007/8</b>	<b>2006/7</b>
Annual remuneration	863,956	312,485
Performance bonus	-	-
Car allowance	130,440	43,480
Contribution to UIF, medical and pension funds	7,259	2,281
<b>Total</b>	<b>1,001,655</b>	<b>358,246</b>
The remuneration as reflected in 2008 is for a period of 12 months, and for 2007, for a period of 4 months due to a new appointment during 2007.		
<b>REMUNERATION OF THE EXECUTIVE DIRECTOR:</b>		
<b>COMMUNITY AND SOCIAL DEVELOPMENT</b>	<b>2007/8</b>	<b>2006/7</b>
Annual remuneration	367,740	688,281
Performance bonus	-	157,841
Car allowance	25,000	60,000
Contribution to UIF, medical and pension funds	65,322	149,817
<b>Total</b>	<b>458,062</b>	<b>1,055,939</b>
The renumeration as reflected in 2008 is for a period of 5 months due to the resignation during 2008.		

<b>REMUNERATION OF THE EXECUTIVE DIRECTOR:</b>		
<b>CORPORATE SERVICES</b>	<b>2007/8</b>	<b>2006/7</b>
Annual remuneration	837,066	779,160
Performance bonus	-	151,665
Car allowance	84,000	84,000
Contribution to UIF, medical and pension funds	1,511	1,435
<b>Total</b>	<b>922,577</b>	<b>1,016,260</b>

<b>REMUNERATION OF THE EXECUTIVE DIRECTOR:</b>		
<b>ECONOMIC DEVELOPMENT AND PLANNING</b>	<b>2007/8</b>	<b>2006/7</b>
Annual remuneration	880,144	275,518
Performance bonus	-	-
Car allowance	120,000	40,000
Contribution to UIF, medical and pension funds	1,511	478
<b>Total</b>	<b>1,001,655</b>	<b>315,996</b>
The remuneration as reflected in 2008 is for a period of 12 months, and for 2007, is for a period of 4 months due to a new appointment during 2007.		

<b>REMUNERATION OF THE EXECUTIVE DIRECTOR: INFRASTRUCTURE</b>	<b>2007/8</b>	<b>2006/7</b>
Annual remuneration	430,741	842,248
Performance bonus	-	175,944
Car allowance	138,000	156,000
Contribution to UIF, medical and pension funds	6,277	1,435
<b>Total</b>	<b>575,018</b>	<b>1,175,627</b>
The remuneration as reflected in 2008 is for a period of 7 months due to a new appointment during 2008.		

## CHAPTER 5: AUDITED FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION

### General Information

<b>Members of the Mayoral Committee</b>				
Councillor	G Mothupi	Executive Mayor - Chairperson	Councillor	N G Mokotjo
Councillor	SKM Choene		Councillor	T A Montsi
Councillor	EK Goliath		Councillor	M A Scheepers
Councillor	KNL Makhanya		Councillor	JP van der Merwe
Councillor	SM Sefuthi		Councillor	TA Zweni

### Grading of Local Authority

Grade 5 Local Authority in terms of Remuneration of  
Public Office Bearers Act 20, 1998

### Auditors

The Auditor-General : Free State  
Represented by PricewaterhouseCoopers Inc.

### Bankers

ABSA Bank Limited

### Registered Office

Bram Fischer Building De Villiers Street Bloemfontein	P O Box 288 Bloemfontein 9300	Telephone : (051) 405 8911 Fax: (051) 447 6673
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### City Manager

T M Manyoni

### Chief Financial Officer

R Taye: Registered Municipal Accountant (Associate)

### Approval of the Financial Statements

The Annual Financial Statements as set out on pages 73 to 133 were approved by the City Manager on 29 August 2008 and will be presented to Council for approval.

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**T M Manyoni**  
**City Manager**

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**R Taye**  
**Chief Financial Officer**  
**(Registered Municipal Accountant)**

**29 August 2008**

**29 August 2008**



## Report from the Auditor General

### REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE PROVINCIAL LEGISLATURE AND COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF MANGAUNG LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

#### REPORT ON THE FINANCIAL STATEMENTS

##### Introduction

1. I was engaged to audit the accompanying financial statements of the Mangaung Local Municipality (MLM) which comprise the statement of financial position as at 30 June 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 73 to 133.

##### Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1, in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2007 (Act no.1 of 2007) (DORA). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

##### Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Because of the matters discussed in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.
4. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the MLM in this respect will be limited to reporting on non-compliance with this disclosure requirement.

**Basis of accounting**

5. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.

**Basis for disclaimer of opinion****Property, plant and equipment**

6. As a result of the audit matters detailed below, I was unable to obtain sufficient appropriate audit evidence to gain adequate audit assurance as to the completeness, existence, valuation, presentation and disclosure of and the municipality's rights to property, plant and equipment with a carrying value of R2 120 428 600 (2007: R1 853 931 458), as disclosed in note 9 to the financial statements for current and prior financial year:
  - (a) For assets with a carrying value of R954 682 146 (2007: R1 223 451 864) the descriptions, serial numbers, location and condition of items as indicated in the fixed asset register were inadequate. Furthermore, the municipality did not conduct an asset verification during the year. The municipality's records did not permit the performance of alternative audit procedures and therefore I was unable to perform all the procedures I considered necessary to obtain adequate audit assurance as to the existence, valuation, completeness, presentation and disclosure of and the municipality's rights to property, plant and equipment to this amount.
  - (b) Insufficient information was included in the erven list to enable me to obtain adequate audit assurance as to the municipality's rights with regard to erven to the value of R109 075 200 (2007: R116 292 300). The municipality's records did not permit the performance of alternative audit procedures regarding its rights to the erven.
  - (c) An amount of R110 055 868 was disclosed as a decrease in revaluation of land and building assets as per note 9 to the financial statements. I could not be provided with detailed explanations and a breakdown of this amount. This amount was further disclosed together with disposals in the current year, amounting to R6 608 545 per note 9, as a deduction for asset disposals amounting to R116 664 412 against the accumulated surplus in the statement of changes in net assets. The entity's records did not permit the performance of alternative audit procedures regarding these adjustments. Consequently, I could not determine the completeness and valuation of the revaluation reserve, the accumulated surplus and property, plant and equipment.
7. A portion of the immovable property of the former Botshabelo Transitional Local Council that was registered in the name of the Free State Provincial Government was transferred to MLM during the year ended 30 June 2005. At year-end the value of the land and buildings had not yet been determined and recorded in the fixed asset register of MLM. The municipality's records did not permit the performance of alternative audit procedures regarding the valuation of the land. Property, plant and equipment and the revaluation reserve are therefore understated by an unknown amount in the financial statements.
8. Erven with a value of R9 839 100 included in property, plant and equipment, as disclosed in note 9 to the financial statements, does not conform to the definition and recognition criteria of Property, plant and equipment as stated in the Standard of Generally Accepted Municipal Accounting Practice GAMAP 17:

Property, plant and equipment (GAMAP 17) and should not be recorded as property of the municipality. Consequently, property, plant and equipment and the accumulated reserve are overstated by R9 839 100.

9. Erven with a value of R8 031 700 (2007: R5 819 700) which conform to the definition and recognition criteria of Property, plant and equipment as stated in GAMAP 17 and were identified as municipal property on the valuation roll, were not included in the fixed asset register for the year ended 30 June 2008. Consequently, property, plant and equipment and the revaluation reserve are understated by this amount.
10. During the prior year, housing scheme assets with a cost of R52 457 100 were added to the fixed assets register. These assets had already been included in the fixed asset register when they were created and are therefore duplicated in the fixed asset register and in the financial statements. Consequently, property, plant and equipment at cost was overstated by R52 457 100, accumulated depreciation was overstated by R40 784 900 and the accumulated surplus was overstated by R11 672 200 for both the current and prior financial year.
11. The municipality has not accounted for property, plant and equipment in accordance with the Standard of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* (GRAP 1) and the Standard of Generally Accepted Municipal Accounting Practice, GAMAP 17 *Property, Plant and Equipment* (GAMAP 17), read with the exemptions in *Government Notice 522 of 2007*, issued in *Government Gazette No. 30013 of 29 June 2007* in the following respects:
  - (a) GAMAP 17 paragraph 10 requires an asset to be recognised when it is probable that future economic benefits or service potential associated with the asset will flow to the municipality. The municipality capitalised certain expenses amounting to R18 829 695 (2007: R54 921 465) that did not meet the definition of an asset in the current and prior financial year. Consequently property, plant and equipment was overstated and expenditure understated by this amount. Furthermore the depreciation expense will be overstated with the depreciation expense resulting from the capitalisation of these expenses in the current and prior financial year.
  - (b) Paragraphs 76 and 8 of GAMAP 17 require a municipality to disclose assets under construction and heritage assets separately in the financial statements. Assets under construction and heritage assets had not been identified and are not disclosed separately in the financial statements. The municipality's records did not permit the performance of alternative audit procedures regarding assets under construction and heritage assets. Consequently, I could not determine the completeness and existence as well as the extent to which these assets were accurately classified in the financial statements.
  - (c) In accordance with paragraph 41 of GAMAP 17, accounting policy note 7 indicated that MLM measures land and buildings by using the revaluation model. Contrary to the accounting policy, the city council erven listing reflected a total of 938 erven (2007: 2 837 erven) with zero values which had not been revalued. The municipality's records did not permit the performance of alternative audit procedures regarding the completeness and valuation of these erven. Consequently, property, plant and equipment and the revaluation reserve were understated by an undetermined amount.
  - (d) Paragraph 39 of GAMAP 17 requires the municipality to account for major components of some items of property, plant and equipment separately because they have useful lives different from those of the items of property, plant and equipment to which they relate. Contrary to this requirement, significant components

with a useful life that differed from that of the main asset have not been identified and depreciated separately. The municipality's records did not permit the performance of alternative audit procedures regarding the componentisation of assets. Consequently, I could not determine the amounts by which property, plant and equipment and depreciation were misstated.

12. Contrary to the definition of an asset as stated in GRAP 1, animals, owned by the municipality and housed in the zoo and nature conservation areas within the Mangaung district, have not been recorded in the fixed asset register and accounted for in the financial statements. Given that a formally approved and documented policy framework regarding the management and valuation of these animals was not in place during the year under review and the municipality had not adopted an accounting policy in this regard, I was unable to obtain sufficient appropriate audit evidence to determine the completeness, valuation, existence, allocation and fair presentation of and the rights and obligations of these assets. The municipality's records did not permit the performance of alternative audit procedures regarding these assets. Consequently, the financial statements as at 30 June 2008 are misstated by an unknown amount.
13. Contrary to the South African Statement of Generally Accepted Accounting Practice (SA GAAP), IAS 38 (AC 129) *Intangible Assets*, read with the exemptions in *Government Notice 522 of 2007*, issued in *Government Gazette No. 30013 of 29 June 2007*, computer software and website costs with a carrying value of R7 619 614 (2007: R10 076 905) have been inaccurately classified as property, plant and equipment for current and prior financial year. The amortisation costs associated with these intangible assets, which amount to R2 543 968 (2007: R3 181 963), have also been inaccurately classified as depreciation in the statement of financial performance for the current and prior financial year.
14. The depreciation on property, plant and equipment as disclosed in the statement of financial performance amounts to R98 407 204 (2007: R99 441 851). However, due to the matters listed in paragraphs 6 to 13 above I was unable to confirm the accuracy of the depreciation charge for the year. The municipality's records did not permit the performance of alternative audit procedures regarding the depreciation charge. Consequently, the depreciation expense and property, plant and equipment are misstated by an unknown amount.
15. Due to the lack of sufficient appropriate audit evidence, I am unable to quantify the extent of the resulting misstatement or to determine the affected account balances, classes of transactions and disclosures in the financial statements.

#### **Long-term receivables**

16. Paragraph 58 IAS 39 (AC133) *Financial Instruments: Recognition and Measurement* (IAS 39) requires the municipality to assess at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. Contrary to this requirement, the municipality did not test long-term receivables for possible impairment. Based on my assessment of the long-term receivables, as disclosed in note 11 to the financial statements, there is objective evidence that the long-term receivables are impaired and overstated by R7 570 502 (2007: R7 100 000) and resulting in the corresponding bad debts expenditure being understated by the same amount.

### **Consumer and other receivables**

17. Paragraph 58 of IAS 39 requires the municipality to assess at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. The municipality only made a general provision for doubtful consumer receivables which is not in accordance with the impairment requirements of IAS 39. No provision for doubtful debts has been recognised on the other receivables although there is objective evidence of impairment. As the relevant information was not available I was not able to determine what the impairment charge against consumer and other receivables and bad debts should have been had IAS39 been applied correctly.
18. A suspense account with a balance of R6 957 274, outstanding since 30 June 2005, included in note 14 to the financial statements, was not cleared as at 30 June 2008 and showed no movement for the year under review or after year-end. Furthermore, no supporting documentation could be submitted to gain adequate audit assurance as to the existence and valuation of and the rights and obligations relating to the balance. The municipality's records did not permit the performance of alternative audit procedures regarding this suspense account.
19. Contrary to the requirements of paragraph 30 of GRAP 1, the municipality did not provide for service charges relating to the period between the last meter-reading date and the year-end date on an annual basis. As a result, the consumer receivables are understated by R8 518 977 (2007: R10 321 211) and the accumulated surplus was understated by R10 321 211 (2007: R11 743 258). Revenue for the year under review was overstated by R1 802 234 (2007: R1 422 047).
20. A Centlec debtor account, amounting to R5 006 410, was incorrectly included in MLM's consumer receivables balance at year-end. Consequently, consumer receivables and payables were overstated in the financial statements by this amount.
21. No supporting documentation for journals totalling R84 082 792 (2007: R34 177 534), which impacted on consumer and other receivables and service charges, could be obtained. I could therefore not determine whether these journals were valid and accurately recorded and could therefore not gain adequate audit assurance as to the valuation and allocation of consumer and other receivables and the accuracy, completeness and occurrence of service charges. The municipality's records did not permit the performance of alternative audit procedures regarding these journals.
22. Corrections regarding re-allocations between rates and sanitation accounts of government departments during the year under review were only made after year-end. As a result, note 13 to the financial statements indicating the split of debtor balances between services were inaccurately classified and rates consumer debtors were overstated by R28 834 523 and sanitation consumer debtors were understated by R28 834 523.

### **Accumulated surplus – funds**

23. The carrying value of assets, financed through reserves, and which had been disposed of in previous financial years was not deducted from the applicable reserves in the statement of changes in net assets in the prior financial year. Consequently, the government grant reserve was overstated by R395 462, the capitalisation

reserve by R4 623 903 and the capital replacement reserve by R2 482 119 while the accumulated surplus was understated by R6 330 334. Furthermore, the adjustments related to prior period errors and are not disclosed as prior period errors in accordance with the Statement of Generally Recognised Accounting Practices (GRAP 3) *Accounting Policies, Changes in Accounting Estimates and Errors*.

24. With reference to paragraphs 6(c), 7, 8 and 9 above I could not obtain sufficient supporting evidence for an amount of R121 728 068 disclosed as the movement between the revaluation reserve and the accumulated surplus for the current year in the statement of changes in net assets. Alternative audit procedures could not be performed due to insufficient supporting documentation. Consequently, I could not gain adequate audit assurance as to the completeness, valuation and existence of the revaluation reserve and the accumulated surplus disclosed in the statement of changes in net assets.
25. Paragraphs 17, 89 and 114 of GRAP 1 require the profit or loss on the disposal of assets to be disclosed in the statement of financial performance. Contrary to this, assets with a carrying value of R6 608 545 disclosed as disposals in note 9 to the financial statements were disposed of at no cost to a Provincial Government Department and the resulting loss on the disposal of these assets was directly accounted for against the accumulated surplus in the statement of changes in net assets. Consequently, the net surplus for the year in the statement of financial performance and the asset disposals deducted from the accumulated surplus in the statement of changes in net assets were overstated by this amount.

#### **Non-current provisions**

26. The municipality did not provide for the rehabilitation of certain landfill sites as required by section 28(1) of the National Environmental Management Act, 1998 (Act No. 107 of 1998) and in accordance with the Standard of Generally Accepted Municipal Accounting Practice, GAMAP 19 *Provisions, contingent liabilities and contingent assets* (GAMAP 19) and stated in accounting policy note 5 to the financial statements. The municipality's records did not permit the performance of reasonable alternative audit procedures regarding the provision for rehabilitation of the landfill sites. Consequently, I did not obtain sufficient appropriate audit evidence as to the completeness and valuation of non-current provisions and property, plant and equipment in accordance with paragraph 28(e) of GAMAP 17, which requires the capitalisation of future rehabilitation costs of an asset to the extent that these costs have been provided for in terms of GAMAP 19. My audit report for the year ended 30 June 2007, dated 23 May 2008, was also modified accordingly.

#### **Payables**

27. Included in the balance of payables as disclosed in note 6 to the financial statements is an amount of R29 044 951 (2007: R29 706 960) which represented receipts which had not yet been allocated to the relevant financial statement line items at 30 June 2008. Since the majority of these payments had not been allocated subsequent to year-end, I could not determine the amount by which payables and receivables were overstated and the amount by which revenue and the inter-company account was understated.
28. An unreconciled difference of R2 831 312 was identified between the balance disclosed in note 6 to the financial statements for retention creditors included under payables and the underlying financial system data

for this balance. I could not be provided with appropriate supporting documentation for this difference. Consequently, payables and property, plant and equipment were understated by this amount.

#### **Revenue**

29. Open estimates for water services provided amounting to R16 393 919 (2007: R17 236 589) were included in service charges revenue relating to the sale of water as at 30 June 2008. The service charges revenue relating to the sale of water is overstated by R3 183 864 (2007: R6 720 311) due to the inaccurate open estimates recorded in the financial statements. Consequently, revenue from service charges and consumer debtors are overstated by R3 183 864 (2007: R6 720 311).

#### **Capital commitments**

30. The municipality did not maintain a contract register which provides particulars of all approved capital contracts, the expenditure incurred to date and the municipality's future capital commitments in respect of each contract. There were no alternative audit procedures that I could perform to obtain adequate audit assurance that capital commitments to the sum of R59 342 410 (2007: R187 083 410), as disclosed in note 33 to the financial statements, were complete and accurately disclosed in the financial statements. My audit report for the year ended 30 June 2007, dated 23 May 2008 was also modified accordingly.

#### **Irregular expenditure**

31. In terms of the MLM's supply chain management policy and section 112(1) of the MFMA, a municipality shall award contracts for goods and services in accordance with a system that is fair, equitable, transparent, competitive and cost-effective. The following irregular expenditure was identified because the above was not complied with. Furthermore, this expenditure was not disclosed in the financial statements as irregular expenditure as required by section 125(2)(d) of the MFMA.
  - (a) In respect of payments totalling R6 837 640 (2007: R2 061 413), the number of quotations as required by the council's financial regulations and sections 6 and 7.7 of the municipality's supply chain management policy was not obtained.
  - (b) For payments totalling R1 291 436 (2007: R4 727 280) in respect of contracts exceeding R200 000 in value, tenders were not invited.
  - (c) In addition to the above, MLM's supply chain management policy was not followed for payments totalling R12 051 564 (2007: R8 854 068) in respect of a combination of the following:
    - Proof of occurrence of catering expenses could not be provided for audit purposes.
    - Tenders were not submitted for audit purposes.
    - Invoices were not in the name of MLM.
    - Payments were not authorised in accordance with section 3.6 of the Delegations of Power Policy or approved delegation of authority letters could not be obtained.

### **Matters arising between parent municipality - MLM and the municipal entity Centlec**

32. The profit on the sale of the electricity distribution department to Centlec in the 2005-06 financial year, as determined by management, amounted to R788 999 047 and was included in the accumulated surplus balance. The ambiguities in the sale-of-business agreement and a lack of supporting documentation with regard to the basis of the valuation and the qualifications of the valuers, I was not able to determine the actual profit on the sale. Consequently, I could not determine the amount by which the accumulated surplus and shareholders loan, which is included under long-term receivables, were misstated. The municipality's records did not permit the performance of alternative audit procedures to obtain adequate audit assurance on the profit on the sale of the electricity distribution department.
33. When comparing the financial statements of MLM with the financial statements of Centlec for the financial year ended 30 June 2008, the following differences were noted with regard to the balance of the inter-entity accounts and the totals of inter-entity transactions as disclosed in notes 6, 11 and 36 to the financial statements of MLM:
  - (a) The balance of the inter-suspense account disclosed in note 6 to the financial statements of MLM amounts to R194 653 900 (2007: R172 811 329) while the balance of this account disclosed in the financial statements of Centlec indicated R198 123 899 (2007: R190 138 944). The resulting unresolved difference is R3 469 999 (2007: R17 327 615). There were no alternative audit procedures that I could perform to obtain adequate audit assurance on the completeness, validity and existence of the inter-suspense account.
  - (b) The balance of the shareholders loan account disclosed in note 11 to the financial statements of MLM amounts to R1 339 348 947 (2007: R1 339 348 947) while the balance of this account disclosed in the financial statements of Centlec amounts to R1 265 482 793 (2007: R1 286 610 608). The resulting difference is R73 866 154 (2007: R52 738 339) which arose due to the fact that Centlec accounted for prepaid interest on the shareholders loan which it deducted from the balance of the shareholders loan as a loan repayment. Consequently, I was unable to determine the valuation of the inter-suspense account for the current and prior financial year.
  - (c) With reference to paragraph 32 above, MLM and Centlec did not negotiate and reach consensus on the interest rate attached to the shareholders' loan as required by the sales agreement. Consequently, MLM recognised interest received on the shareholders loan amounting to R94 000 000 (2007: R96 000 000) while Centlec has recognised interest paid on the shareholders loan amounting to R72 872 184 (2007: R73 107 533). The difference of R21 127 816 (2007: R22 892 467) has deducted from the shareholders loan balance by Centlec in both the current and prior financial year. Consequently, I was unable to determine the accuracy of the interest on the shareholders loan for the current and prior financial year.
34. Advances amounting to R94 838 339 (2007: R60 194 258), as disclosed in note 11, were made by MLM to Centlec after the date of the sales agreement. There is no formal agreement in place between MLM and Centlec that governs the interest rate and repayment terms for these advances. Consequently, I could not determine the rights of the municipality and valuation of this balance and the accuracy of the related interest received.

35. Payments were made by Centlec to MLM via transfers per journal entries for water purchases. No VAT was charged on these transactions and no tax invoices were issued within 21 days as required by the VAT Act. Consequently, VAT payable was understated and the inter -suspense account overstated by R2 145 781 (2007: R8 407 346).

#### **Opening balances**

36. In my previous audit report dated 23 May 2008 I was unable to express an unqualified audit opinion on the financial statements of the municipality for the year ended 30 June 2007. The qualification matters have not been adequately resolved and my audit report regarding the corresponding figures for the year ended 30 June 2008 is modified accordingly.

#### **Disclaimer of opinion**

37. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the MLM. Accordingly, I do not express an opinion on the financial statements.

#### **Emphasis of matters**

I draw attention to the following matters:

#### **Amendments to the applicable basis of accounting**

38. The National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of *General Notice 522 of 2007*, issued in *Government Gazette No. 30013 of 29 June 2007*.

#### **Irregular expenditure**

39. As disclosed in note 39 to the financial statements, irregular expenditure to the amount of R10 137 463 (2007: R4 841 948) was incurred during the current financial year due to non-adherence to supply chain management policy requirements. This reported irregular expenditure is still under investigation.

#### **Unauthorised expenditure**

40. As disclosed in note 41 to the financial statements, non-budgeted expenditure to the amount of R107 235 231 was incurred during the current financial year which is regarded as unauthorised expenditure. This reported unauthorised expenditure is still under investigation.

#### **Restatement of corresponding figures**

41. As disclosed in note 27 to the financial statements, the corresponding figures for the financial year ended 30 June 2007 have been restated as a result of errors discovered during the current financial year in the financial statements of MLM.

## OTHER MATTERS

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

### Internal control

42. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the inefficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
<b>Basis for disclaimer of opinion</b>					
Property, plant and equipment	✓				
Long-term receivables		✓			
Consumer and other receivables		✓			
Accumulated surplus		✓			
Non-current provisions	✓				
Payables		✓			
Revenue		✓			
Capital commitments		✓			
Irregular expenditure				✓	
Matters arising between parent municipality - MLM and the municipal entity – Centlec		✓			
<u>Control environment</u> : establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.					
<u>Risk assessment</u> : involves the identification and analysis by management of relevant financial					

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
<p>reporting risks to achieve predetermined financial reporting objectives.</p> <p><u>Control activities</u>: policies, procedures and practices that ensure that management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.</p> <p><u>Information and communication</u>: supports all other control components by communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allow people to carry out their financial reporting duties.</p> <p><u>Monitoring</u>: covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.</p>					

#### **Material non-compliance with applicable legislation**

##### **43. Local Government: Municipal Finance Management Act, Act no.56 of 2003 (MFMA)**

- Included in gross consumer receivables was an amount of R60 382 733 (2007: R64 765 912) that was due to MLM by government institutions, and R55 379 392 of this balance had been outstanding for longer than 30 days as at 30 June 2008. I could not be provided with evidence that MLM had complied with section 64(3) of the MFMA which requires the accounting officer of MLM to inform National Treasury in writing of any payments from an organ of state in respect of municipal taxes or services which had been outstanding for longer than 30 days.
- Payments to suppliers totalling R26 846 316 (2007: R15 604 518) were not made within 30 days of date of receipt of the relevant invoice or statement, as prescribed by section 65(2)(e) of the MFMA.
- Particulars of non-compliance with the MFMA were not disclosed in the notes to the financial statements as required by section 125(2)(e) of the act.
- Section 17(3)(b) of the MFMA was not complied with as measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan, were not compiled and presented with the annual budget.
- The municipality did not adhere to sections 22(b), 24(3) and 28(7) as the adjustment budget for 2007-08 was not submitted to National Treasury.
- Section 52(d) of the MFMA was not complied with as not all quarterly reports were tabled and the reports which were tabled were not tabled timeously.
- Section 85(2) of the MFMA was not complied with as not all monies received were deposited in the main bank account of Centlec. Some of the monies received from Centlec customers are currently being deposited into MLM's bank account and subsequently accounted for by Centlec through an inter-company loan account.

##### **44. Local Government: Municipal Systems Act, Act No. 32 of 2000 (MSA)**

- In terms of sections 3 and 4 of schedule 1: *Code of Conduct for Councillors* to the MSA, read with rules 13(7) and (8) of the Standing Rules and Orders, Local Government Regulations, published on 1 December 2000, a councillor must pay a fine of 10% of his/her monthly salary if he/she is absent from a council or committee

meeting without applying for leave of absence. Notwithstanding the fact that a number of councillors failed to adhere to these rules in at least 90 instances (2007: 64 instances) during the year under review, appropriate sanctions were not imposed on the relevant councillors.

- According to section 63 of the MSA, a political structure, political office bearer, councillor or staff member of a municipality to whom a delegating authority had been delegated or sub-delegated a power or duty must report to the delegating authority at such intervals as the delegating authority may require on decisions taken in terms of that delegated or sub-delegated power. Monthly reports on the delegated powers for the period January to June 2008 could not be obtained for audit purposes.
- Twelve councillors (2007: 15 councillors) failed to declare some of their business interests as required by section 7 of Schedule 1: *Code of Conduct for Councillors* of the MSA.

#### **Matters of governance**

45. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
<b>Audit committee</b>		
<ul style="list-style-type: none"> <li>The municipality had an audit committee in operation throughout the financial year.</li> <li>The audit committee operates in accordance with approved, written terms of reference.</li> <li>The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.</li> </ul>	X	X
<b>Internal audit</b>		
<ul style="list-style-type: none"> <li>The municipality had an internal audit function in operation throughout the financial year.</li> <li>The internal audit function operates in terms of an approved internal audit plan.</li> <li>The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.</li> </ul>	X	X
<b>Other matters of governance</b>		
<ul style="list-style-type: none"> <li>The annual financial statements were submitted for audit as per the legislated deadlines section 126 of the MFMA.</li> <li>The annual report was submitted for the auditor for consideration prior to the date of the auditor's report.</li> <li>The financial statements submitted for audit were not subject to any material amendments resulting from the audit.</li> <li>No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.</li> <li>The prior year's external audit recommendations have been substantially</li> </ul>	X	X

Matter of governance	Yes	No
implemented.		
• PROPAC resolutions have been substantially implemented.	X	
<b>Implementation of Standards of Generally Recognised Accounting Practice (GRAP)</b>		
• The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007.	X	
• The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP.	X	
• The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008.	X	

## OTHER REPORTING RESPONSIBILITIES

### REPORT ON PERFORMANCE INFORMATION

46. I have reviewed the performance information as set out on pages 7 to 47.

#### Responsibility of the accounting officer for the performance information

47. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the MSA.

#### Responsibility of the Auditor-General

48. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

49. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate audit evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

50. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

#### Audit findings (performance information)

#### Non-compliance with regulatory requirements

#### Internal auditing of performance measurements

51. The internal audit department of the municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager and the performance audit committee, as required by section 45 of the MSA.

#### **No service delivery agreement**

52. Currently no service delivery agreement is in place between MLM and its municipal entity, Centlec, with regard to the provision of electricity as required by section 76 of the MSA. The previous agreement had lapsed and a new agreement has not yet been concluded.

#### **Performance management plan not yet approved by council**

53. Section 40 of the MSA requires that a municipality has to establish mechanisms to monitor and review its performance management system. Council has not yet approved MLM's Performance Management Plan.

#### **Measurable objectives are materially inconsistent between annual report and integrated development plan**

54. I draw attention to the fact that the measurable objectives reported in the annual report of the municipality are materially inconsistent when compared with the predetermined objectives as per the integrated development plan.

55. The following table reflects the material differences:

<b>Objective per integrated development plan</b>	<b>Objective per annual report</b>
<b>Housing directorate</b> To ensure that 2 500 households are accommodated in new high density housing with varying tenure options including rent, rent to buy and full ownership.	To ensure that 270 households are accommodated in new high density housing with varying tenure options including rent, rent to buy and full ownership.
<b>Infrastructure directorate</b> Exploring alternative ways of delivering municipal services sustainably and efficiently. Ensure the integration of all SDBIPs with the SDF in respect of those elements with spatial implications.	Establishment of business units based on approved governance structure. Compilation of infrastructure provision master plan.

#### **Progress against measurable objectives in the integrated development plan, not reported in the annual performance report**

56. I draw attention to the fact that progress against the following objectives in the integrated development plan of the municipality were not reported on in the annual performance report:

- Infrastructure directorate: Nine objectives relating to administrative support services, project management unit and mechanical services.

- Planning directorate: Ten objectives relating to spatial land use planning, building control and land management.

**Objectives reported in annual report, but not predetermined as per integrated development plan and/or budget**

57. I draw attention to the fact that the following objectives are reported in the annual performance report of the municipality, although they were not included as predetermined objectives in the integrated development plan and/or the budget:

- Infrastructure directorate: Eighteen objectives relating to administrative support services and electricity.
- Planning directorate: Three objectives relating to spatial land use.

**Performance information not received in time**

58. I was not able to complete an evaluation of the quality of the reported performance information as set out on pages 2 to 47 of the annual report, since the final annual performance report containing all updated performance information was not received in time for audit purposes.

**OTHER REPORTS**

**Investigations**

59. During the 2004-05 financial year an investigation was conducted into allegations of fraud and corruption relating to the tender process, tenders awarded and certain expenditure of the municipality. The investigation had not been completed at the date of this report.

60. An investigation is being conducted by an independent consulting firm on request of the entity during the current financial year. The investigation was initiated based on the allegation of possible abuse of suspense accounts by employees and had resulted in criminal proceedings being instituted against two employees. The investigation had not been completed at the date of this report and the extent of any permanent losses has not yet been established.

**Performance audits**

61. A performance audit concerning infrastructure is in progress. At the date of this report the performance audit had not been completed.

**APPRECIATION**

62. The assistance rendered by the staff of the MLM during the audit is sincerely appreciated.

Pretoria

29 November 2008



## **Municipal Responses to the Auditor General**

### **REPORTS OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS AND RESULTS OF PERFORMANCE MEASUREMENT OF MANGAUNG LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008**

The attached report dated 29 November 2008 was received from the Auditor-General.

My comments in the same sequence as the report are as follows:

#### **Basis for disclaimer of opinion**

#### **Property, plant and equipment**

6-15. A process has been started to address the shortcomings in respect of asset control. All movable assets have been bar-coded and will be included in the asset register. A new asset management office has been approved to take full control of asset management in MLM. In addition a tender will be prepared for the compiling of an asset register, which is GAMAP compliant and inclusive of all assets including infrastructural assets according to the prescribed accounting standards. A condition of the tender process will be that the deficiencies, as indicated in the audit report, must be successfully addressed in the execution of the project. The tender process will commence in the 2008/09 financial year.

#### **Long-term receivables**

16. The impairment of long-term receivables in terms of IAS 39 forms part of new international accounting requirements, which will necessitate modification of the financial system's programme. The standards will be complied with in the 2008/09 financial year.

#### **Consumer and other receivables**

17. The impairment of receivables in terms of IAS 39 forms part of the new international accounting requirements as mentioned in the previous paragraph. The standards will be complied with in the 2008/09 financial year.

18. The suspense account will be reconciled and corrected in the 2008/09 financial year.

19. The provision of service charges for the period between the meter reading date and the year-end was never required in previous financial statements. This is a new accounting requirement. The financial system does not provide for this calculation and the adjustment will be investigated for implementation in the 2008/09 year.

20. The Centlec debtor included under the consumer debtors of MLM will be corrected in the 2008/09 financial year.

21. In some instances journals are drawn from the financial system. The detail of the journals is available on the system or in registers, which are kept separately from the journals. The remark in the report that supporting documentation is not available is incorrect. An effort will be made to provide a more effective audit trial to the satisfaction of the external auditors.
22. The incorrect classification in the financial statements between rates and sanitation will be corrected in the next financial year.

#### **Accumulated surplus – funds**

23. The incorrect allocation in the statement of changes in net assets will be corrected in the financial statements.
24. The movement of R121 728 068 on the revaluation reserve represents corrections made to the classification of council erven in the previous financial year. The supporting documentation for the closing balance of the revaluation reserve is available for audit purposes.
25. The incorrect allocation to accumulated surplus will be corrected in the financial statements.

#### **Non current provisions**

26. Provision is currently only made for the rehabilitation of Petra Quarry in accordance with the Mineral and Petroleum Resources Act, 2002. A new requirement from GAMAP 19 is that provision should also be made for the rehabilitation of landfill sites and gravel quarries. The detailed information required to make the necessary provision is presently not available. The Infrastructure Directorate was requested to embark on a process to obtain the data needed for the calculation of the future rehabilitation cost of the refuse removal sites and gravel quarries. The provision for the rehabilitation of gravel quarries and the rehabilitation of landfill sites will be done in the 2008/09 financial year.

#### **Payables**

27. Unidentified deposits refer to direct deposits in the bank account, which cannot be allocated to an account number. Specific employees were deployed to reconcile the unallocated suspense accounts on a daily basis. Significant progress has been made to date to clear the suspense account, with the support of our bankers.
28. The detail of the transactions relating to retention payables and other creditors are available on the financial system. The matter will be investigated in order to provide a more effective audit trial in the new financial year.

#### **Revenue**

29. The overstatement of water services provided relates to adjustments made to water accounts in different financial years. Care will be taken to ensure that adjustments are accounted for in the correct financial year.

## **Capital commitments**

30. Detail regarding capital commitments was obtained from each directorate and included in the financial statements by way of a note. The information is available from the relevant directorates. A contract register for new contract payments was implemented on the financial system in the 2007/08 financial year. The register is not complete as yet and the shortcomings will be addressed in the next financial years.

## **Irregular expenditure**

31. In looking at the issues raised by the Auditor-General on Irregular Expenditure a test has to be performed as to whether the nature of the expenditure should be within terms of section 32 of the MFMA or Section 7.2.21 of the Council's SCM Policy, derived from section 112(1) of the MFMA.

Section 32 of the MFMA dictates that irregular expenditure should be handled as follows:

*Any political office bearer or official of a municipality who deliberately or negligently made or authorised an irregular, fruitless and wasteful expenditure is liable for that expenditure. A municipality must recover irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council. The Accounting Officer must inform the mayor, the MEC for local government in the province and the Auditor General in writing regarding the unauthorised, irregular or fruitless and wasteful expenditure as prescribed section 32(4) of the Act. The expenditure must be disclosed in the financial statements.*

Whereas, section 7.2.21, Chapter of the SCM Policy on "Deviation from and ratification of minor breaches of procurement processes" states as follows:

*"The City Manager may:*

- (a) dispense with the official procurement processes established by the SCM Policy and procure required goods or services through any convenient process, which may include direct negotiations, but only :*
  - (i) in an emergency;*
  - (ii) if such goods or services are produced or available from a single provider only;*
  - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;*
  - (iv) acquisition of animals for zoos and/or nature and game reserves; or*
  - (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and*

(b) *ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature."*

Paragraph 31 of the audit report will be treated in accordance with section 32 of the MFMA or section 7.2.21 of the SCM Policy, where applicable.

#### **Matters arising between parent municipality - MLM and the municipal entity - Centlec**

32. According to the closing balance on the main ledger, the profit on the sale of assets to Centlec was R788 999 047. The detail and journal references are indicated on the account. Any adjustment, if necessary, will be made in the 2008/09 financial year.

33. (a) The statements of Centlec were drawn by an independent service provider. Adjustments were made to the original amounts as supplied by MLM. The separate statements of Centlec must be corrected to correspond with the consolidated statements. MLM is not in agreement with the adjustments, which were made unilaterally by Centlec.

(b) The contribution from Centlec is annually included in the operating budget and approved by council as the sole shareholder of Centlec. The R94 million contribution was approved by Council and the same amount must be shown in Centlec's statements as interest paid to MLM. The statements of Centlec must be adjusted accordingly.

(c) MLM as the parent municipality must prescribe the correct treatment of the interest on the shareholders loan as approved by Council in the annual budget. It is imperative that the authority of MLM is accepted by the management of Centlec.

34. Advances to Centlec are treated as internal loans and are based on the same conditions as for internal advances to other departments. The conditions of the advances are included in the Service Delivery Agreement with Centlec (Clause 26.4).

35. VAT must be charged on all transaction between Centlec and MLM. VAT invoices are issued for all transactions except water and electricity purchases between Centlec and MLM. These transactions are currently treated in the financial system as departmental charges on which no VAT is levied. The matter will be investigated for correction in the 2008/09 financial year. The VAT implication in the consolidated statements will be zero as the contra transactions are included in the accounting records of Centlec.

#### **Opening balances**

36. Prior year errors as indicated in the previous audit report will be adjusted in the 2008/09 financial year.

#### **Emphasis of matters**

#### **Amendments to the applicable basis of accounting**

38. The deviations from the basis of accounting was approved by National Treasury and the exemptions were applied to the 2007/08 financial statements.

#### **Irregular expenditure**

39. The irregular expenditure as indicated in note 39 of the financial statements is still under investigation. The amount of R10 137 463 must be considered in conjunction with the irregular expenditure as indicated in paragraph 31 of this audit report.

#### **Unauthorised expenditure**

40. In accordance with section 32 of the Municipal Finance Act, 2003(MFMA), a municipality must recover unauthorised expenditure from the person liable for that expenditure unless the expenditure is authorised in an adjustment budget, or certified by the council as irrecoverable and written off by the council, after investigation by a council committee.

Unauthorised expenditure refers to the overspending of the total approved budget, or overspending of the total amount appropriated for a vote in the approved budget. A vote in the Act refers to the total amount that is appropriated for a department or functional areas of the municipality.

The following individual votes or divisions have been overspent on 30 June 2008.

<b>Vote</b>	<b>Budget 2007/08</b>	<b>Actual 2007/08</b>	<b>Overspent</b>	<b>Motivation</b>
Corporate Services	53 627 834	54 553 043	925 209	The Directorate incurred the over expenditure due to unauthorised commitments that were made by a manager. The matter was investigated, disciplinary action was instituted and the service of the employee has since been terminated.
Fresh Produce Market	10 677 173	10 857 057	179 884	The Fresh Produce Market incurred the over expenditure due to bank charges and electricity costs.
Miscellaneous Services	97 772 363	196 194 034	98 421 671	An amount of R74.5 million for salaries of employees seconded to Centlec is included as expenditure under miscellaneous services and recoverable in full from the entity. The amount was not included in the 2008 budget. An additional amount of R22.2 million was provided for bad debt, which was not provided for in the budget.
Water	260 145 479	267 854 066	7 708 587	An additional amount of R16.4 million

				was transferred to the provision for bad debt in order to correct the under provision of the fund in the previous years. Only R1 million was budgeted as a contribution.
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#### **Restatement of corresponding figures**

41. In line with prescribed accounting standards, prior period errors are corrected in the corresponding figures of financial statements.

#### **OTHER MATTERS**

##### **Internal control**

42. The table in the audit report depicts the root causes that gave rise to the inefficiencies in the system of internal control.

##### **Material non-compliance with applicable legislation**

43. **Local Government: Municipal Finance Management Act, Act no. 56 of 2003 (MFMA)**

- A serious effort has been made to address outstanding government debt. The outstanding debt of Government has been reported to both national and provincial government levels.
- Invoices can be withheld for various reasons. The average payment days for creditors are 37 days. An official is currently used in the expenditure office to address outstanding invoices with the various departments on a daily basis.
- Disclosures of non-compliance with MFMA in the notes of the financial statements will be investigated for implementations in the next statements.
- Problems were experienced in the financial system to produce an adjustment budget for submission to National Treasury. The adjustment budget will in future be submitted to National Treasury as prescribed in the Act.
- Quarterly reports are submitted to the Office of the City Manager as prescribed in the Act.
- The same financial system is currently used for both MLM and Centlec. A separate bank account for Centlec will be used as soon as a separate financial system is implemented for Centlec.

##### **Matters of governance**

45. Key governance responsibilities of the accounting officer regarding financial and risk management and internal control are indicated in the audit report.

#### **OTHER REPORTING RESPONSIBILITIES**

##### **OTHER REPORTS**

## **Investigations**

59. The investigation of the Scorpions has not been concluded yet.
60. An investigation into the abuse of suspense accounts had been conducted by an independent consulting firm. Criminal proceedings and disciplinary actions have been instituted against two employees.

## **CONCLUSION**

The report from the Auditor-General clearly illustrate that urgent professional support is needed to address the control and system weaknesses in MLM.

The consultancy firm Altimax (Pty) Ltd was appointed on 4 October 2007 to render financial services support to the Mangaung Local Municipality. The firm will specifically concentrate on the weaknesses as indicated in the audit report as well as the implementation of new accounting standards

## **RECOMMENDATIONS:**

- (a) That cognisance be taken of the Auditor-General's report.
- (b) That the corrective steps to be taken be noted.
- (c) That the approval of the irregular expenditure as indicated in paragraph 31 of the report be considered by council in accordance with section 32(2)(b) of the MFMA or section 7.2.21 of the SCM Policy where applicable.
- (d) That the approval of the unauthorised expenditure as indicated in paragraph 40 of the report be considered by council in accordance with section 32(2)(a) of the MFMA.

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**CHIEF FINANCIAL OFFICER**

**Report of the Chief Financial Officer for the Financial Year 1 July 2007 to 30 June 2008**

**MANGAUNG LOCAL MUNICIPALITY**

**Annual Financial Statements**

**for the year ended**

**30 June 2008**

I am responsible for the preparation of these annual financial statements, which are set out on pages 77 to 133, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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TM Manyoni  
Municipal Manager

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*29 August 2008*  
Date

**MANGAUNG LOCAL MUNICIPALITY**  
**GENERAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2008**

<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of operations and principal activities</b>	Providing municipal services and maintain the best interests of the local community mainly in the Mangaung area
<b>Legal form</b>	An organ of state within the local sphere of government exercising legislative and executive authority
<b>Jurisdiction of entity</b>	Area FS172, as a local municipality, as demarcated by the Demarcation Board and indicated in the demarcation map published for FS172
<b>Executive Mayor</b>	DG Mothupi
<b>Councillors and their portfolios</b>	<p><b><u>Speaker:</u></b> Councillor ME Ralebese</p> <p><b><u>Deputy Executive Mayor:</u></b> Councillor ME Moilwa</p> <p><b><u>Councillor Members of The Mayoral Committee:</u></b> Councillor SKM Choene Councillor EK Goliath Councillor KNL Makhanya Councillor NG Mokotjo Councillor TA Montsi Councillor MA Sheepers Councillor SM Sefuthi Councillor JP Van der Merwe Councillor TA Zweni</p> <p><b><u>Council Whip:</u></b> Councillor MA Siyonzana</p> <p><b><u>Councillors of the Council:</u></b> Councillor NL Adoons Councillor PI Chobane Councillor TW Coetzee Councillor PM Cwebi Councillor ME Dennis Councillor MD Dibeco Councillor KT Ditabe Councillor GC Dithebe</p>

Councillor JC Erasmus  
Councillor SE Finger  
Councillor GS Fouche  
Councillor JU Grobbelaar  
Councillor W Horn  
Councillor JS Human  
Councillor TA Jacobs  
Councillor TB Jacobs  
Councillor DE Janse Van Vuuren  
Councillor CE Jenkinson  
Councillor JJ Joubert  
Councillor LR July  
Councillor MS Khutlane

**Councillors and their portfolios**

Councillor SP Kopane  
Councillor JAA Lazenby  
Councillor MJ Lephoi  
Councillor MA Likotsi  
Councillor DG Lubbe  
Councillor AP Maduna  
Councillor MM Makhene  
Councillor MJ Masita  
Councillor MJ Matsoetlane  
Councillor MA Mavuya  
Councillor MB Mbange  
Councillor H Minnie  
Councillor MM Moahi  
Councillor MM Modise  
Councillor SO Mogorosi  
Councillor MJ Mohlouoa  
Councillor LG Mokgothu  
Councillor KO Mokone  
Councillor SG Moletsane  
Councillor MR Mompati  
Councillor TA Monyabane  
Councillor TA Mophethe  
Councillor LG Moroe  
Councillor LS Moroka  
Councillor B Motaung  
Councillor MA Mpheteng  
Councillor KJ Mtshiwane  
Councillor NM Mzozana  
Councillor SS Nakedi  
Councillor TJ Nchaba  
Councillor WT Nkikane  
Councillor J Nothnagel  
Councillor TS Nthako  
Councillor FB Nzapheza

Councillor GJ Olivier  
Councillor JE Petersen  
Councillor AN Phupha  
Councillor DJ Phuti  
Councillor XD Pongolo  
Councillor MA Ramokone  
Councillor GK Saohatse  
Councillor MA Seeco  
Councillor E Snyman-Van Deventer  
Councillor SN Soebehle  
Councillor PM Somimi  
Councillor SE Taibosch  
Councillor MF Tafana  
Councillor SP Tanyane  
Councillor AP Terblanche  
Councillor AL Toba  
Councillor MM Tsomela  
Councillor PJJ Van Biljon  
Councillor R Van Der Merwe  
Councillor WC Van Wyk  
Councillor AS Zerwick

<b>Registered office</b>	Bram Fischer Building Cnr Nelson Mandela and Markgraaff Streets Bloemfontein 9301
<b>Business address</b>	Bram Fischer Building Cnr Nelson Mandela and Markgraaff Streets Bloemfontein 9301
<b>Postal address</b>	P O Box 288 Bloemfontein 9300
<b>Bankers</b>	ABSA Bank Limited
<b>Auditors</b>	The Auditor-General: Free State
<b>Municipal Manager</b>	TM Manyoni
<b>Attorneys</b>	Bezuidenhouts Attorneys Bosiu Attorneys EG Coopers Attorneys Fourie Attorneys Hill, McHardy & Herbst Attorneys Kramer Weihmann & Joubert Attorneys Mabalane Seobe Attorneys

NW Phalatsi & Partners Attorneys  
Rosendorff Reitz Barry Attorneys  
Van der Merwe & Sorour Attorneys  
Vermaak & Dennis Attorneys

**Grading of local authority**

Mangaung Local Municipality is a Grade 5 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998

**Relevant Legislation**

The Constitution of the Republic of South Africa.  
The Municipal Structures Act, No.117 of 1998  
The Municipal Systems Act, No. 32 of 2000  
The Municipal Finance Management Act, No. 56 of 2003  
The Municipal Property Rates Act, No. 6 of 2004  
The Basic Conditions of the Employment Act 75 of 1997  
The VAT Act 89 of 1991  
The Skills Development Act 9 of 1999  
The Water Services Act 108 of 1997  
The Housing Act 107 of 1997

**MANGAUNG LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008**

	Note	2008 R	Restated 2007 R
<b>ASSETS</b>			
<b>Current assets</b>		<b>602,972,709</b>	<b>532,882,991</b>
Inventory	12	4,882,331	3,701,082
Consumer receivables	13	285,440,774	237,286,365
Other receivables	14	57,493,851	60,962,534
Current portion of long-term receivables	11	31,072,081	29,133,767
Investments	10	161,547	66,858,992
Cash and cash equivalents	29	223,922,125	134,940,251
<b>Non-current assets</b>		<b>3,580,310,277</b>	<b>3,283,363,877</b>
Property, plant and equipment	9	2,120,428,600	1,853,931,458
Investments	10	2,635	8,293
Long-term receivables	11	1,459,879,042	1,429,424,126
<b>Total assets</b>		<b>4,183,282,986</b>	<b>3,816,246,868</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>3,412,068,857</b>	<b>3,243,264,577</b>
Housing development fund	1	33,071,514	42,567,563
Capitalisation reserve	2.1	386,143,913	422,563,207
Government grant reserve	2.2	594,833,700	324,590,572
Donations and public contribution reserve	2.3	5,967,997	6,580,227
Self insurance reserve	2.4	73,259,404	72,865,442
COID reserve	2.5	12,856,623	12,991,730
Revaluation reserve	2.6	587,850,107	709,578,175
Accumulated surplus/(deficit)		1,718,085,599	1,651,527,661
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>750,335,187</b>	<b>550,318,908</b>
Consumer deposits	5	22,519,063	16,729,422
Payables	6	473,535,496	404,921,531
Unspent conditional grants and receipts	7	217,450,100	104,494,118
Taxes payable	8	33,614,429	21,379,058
Current portion of borrowings	3	1,636,885	1,550,736
Finance lease liability	37	1,579,213	1,244,043
<b>Non-current liabilities</b>		<b>20,878,942</b>	<b>22,663,383</b>
Long-term borrowings	3	14,298,178	15,929,356
Finance lease liability	37	2,915,905	3,561,825
Non-current provisions	4	3,664,859	3,172,202
<b>Total net assets and liabilities</b>		<b>4,183,282,986</b>	<b>3,816,246,868</b>

**MANGAUNG LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008**

	Note	<b>Actual 2008 R</b>	<b>Restated 2007 R</b>
<b>REVENUE</b>			
Property rates	16	250,173,480	229,340,707
Service charges	17	340,210,887	318,286,594
Rental of facilities and equipment		20,637,267	19,231,127
Interest earned - external investments	10	22,459,987	28,583,362
Interest earned - receivables		32,268,025	25,520,246
Interest on shareholders loan		94,000,000	96,000,000
Fines		7,588,890	9,259,801
Licenses and permits		265,012	325,449
Income for agency services	30	81,966,316	81,884,935
Government grants and subsidies	18	576,626,581	336,563,792
Other income	19	68,989,138	36,498,810
Public contributions and donations		-	257
<b>Total revenue</b>		<b>1,495,185,583</b>	<b>1,181,495,080</b>
<b>EXPENDITURE</b>			
Employee related costs	20	528,230,874	503,595,932
Remuneration of councillors	21	18,905,682	16,951,213
Bad debts		42,598,989	39,037,268
Depreciation		98,487,204	99,441,851
Repairs and maintenance		81,666,060	74,770,932
Finance costs	22	2,919,916	2,992,998
Bulk purchases	23	169,206,138	157,737,246
Contracted services		25,922,024	19,276,481
Grants and subsidies paid	24	64,360,156	39,218,328
General expenses	25	177,187,743	142,469,628
<b>Total expenditure</b>		<b>1,209,484,786</b>	<b>1,095,491,877</b>
Loss due to foreign exchange transactions		232,105	39,397
<b>SURPLUS FOR THE YEAR</b>	26	<b>285,468,692</b>	<b>85,963,806</b>

(a) Refer to Appendix E(1) for the comparison with the approved budget

**MANGAUNG LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008**

	Housing Development Fund	Capital Replacement Reserve (CRR)	Capitalisation Reserve	Government Grant Reserve	Donations and Public Contribution Reserve	Self Insurance Reserve	COID Reserve	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R	R	R	R
<b>2007</b>										
<b>Restated Balance as at 30 June 2006</b>	54,261,905	185,683,910	498,614,330	272,837,595	7,243,694	72,127,620	14,006,625	698,673,375	1,427,814,401	3,231,263,455
Surplus/(deficit) for the year	-	-	-	-	-	-	-	-	79,971,261	79,971,261
<b>Transfer to CRR</b>	-	9,701,406	-	-	-	-	-	-	(9,701,406)	-
Property, plant and equipment purchased	-	(195,385,316)	-	-	-	-	-	-	195,385,316	-
Capital grants used to purchase property plant and equipment	-	-	-	95,981,058	-	-	-	-	(95,981,058)	-
Donated/contributed property, plant and equipment	-	-	-	-	257	-	-	-	(257)	-
Contribution to insurance reserve	-	-	-	-	-	-	335,367	-	(1,837,944)	-
Insurance claims processed	-	-	-	-	-	1,502,577	(764,755)	(1,350,262)	-	2,115,017
Transfer from Housing Fund	(11,694,342)	-	-	-	-	-	-	-	11,101,433	(592,909)
Asset disposals	-	-	(25,083,543)	(20,390,304)	(47,750)	-	-	-	(38,028,435)	(83,550,032)
Asset revaluation (Refer to note 9)	-	-	-	-	-	-	-	10,904,800	-	10,904,800
Offsetting of depreciation	-	-	(50,967,580)	(23,837,777)	(615,974)	-	-	-	75,421,331	-
<b>Balance at 30 June 2007</b>	42,567,563	-	422,563,207	324,590,572	6,580,227	72,865,442	12,991,730	709,578,175	1,646,259,659	3,237,996,575
<b>2008</b>										
Correction of error (Note 27)	-	-	-	-	-	-	-	-	5,268,002	5,268,002
Change in accounting policy	-	-	-	-	-	-	-	-	-	-
Restated balance	42,567,563	-	422,563,207	324,590,572	6,580,227	72,865,442	12,991,730	709,578,175	1,651,527,661	3,243,264,577
Surplus for the year	-	-	-	-	-	-	-	-	285,468,692	285,468,692
Capital grants used to purchase property, plant and equipment	-	-	-	299,481,069	-	-	-	-	(299,481,069)	-
Contribution to insurance reserve	-	-	-	-	-	1,612,037	2,049,749	-	(3,661,786)	-
Insurance claims processed	-	-	-	-	-	(1,218,075)	(2,184,856)	-	3,402,931	-
Transfer from Housing Fund	(9,496,049)	-	-	-	-	-	-	-	9,496,049	-

Asset disposals	-	-	-	-	-	-	-	(116,664,412)	(116,664,412)
Asset revaluation (Refer to note 9)	-	-	-	-	-	-	-	(121,728,068)	121,728,068
Offsetting of depreciation	-	-	(36,419,294)	(29,237,941)	(612,230)	-	-	66,269,465	-
<b>Balance at 30 June 2008</b>	<b>33,071,514</b>		<b>386,143,913</b>	<b>594,833,700</b>	<b>5,967,997</b>	<b>73,259,404</b>	<b>12,856,623</b>	<b>587,850,107</b>	<b>1,718,085,599</b>
	1		2.1	2.2	2.3	2.4	2.5	2.6	

**MANGAUNG LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

	<b>Note</b>	<b>2008</b> <b>R</b>	<b>2007</b> <b>R</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		2,761,282,880	1,435,019,300
Cash paid to suppliers and employees		(2,383,966,891)	(1,385,873,918)
Cash generated from operations	28	377,315,990	45,524,915
Interest received		148,728,012	150,103,608
Interest paid		(2,919,916)	(2,992,998)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>523,124,085</b>	<b>192,635,525</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(480,932,807)	(292,726,117)
Proceeds from sale of property, plant and equipment		6,608,545	-
Increase in non-current receivables		(30,454,916)	(24,142,624)
Decrease/(increase) in non-current investments		5,658	0
Decrease in current investments		66,697,445	146,441,008
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>(438,076,075)</b>	<b>(170,427,733)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid		(1,545,027)	(1,552,006)
Finance lease (payments)		(310,751)	(1,097,957)
Increase in consumer deposits		5,789,641	1,184,864
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>3,933,863</b>	<b>(1,465,099)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>88,981,874</b>	<b>20,742,693</b>
Cash and cash equivalents at the beginning of the year		134,940,251	114,197,558
Cash and cash equivalents at the end of the year	29	223,922,125	134,940,251

**MANGAUNG LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>1. HOUSING DEVELOPMENT FUND</b>		
Housing Development Fund	33,071,514	42,567,563
Unappropriated surplus	33,071,514	42,567,563
The Housing Development Fund is represented by the following assets and liabilities:		
Housing selling scheme loans (See note 11)	38,107,331	38,508,222
Housing rental receivables (See note 13)	12,385,936	4,857,567
Sub-total	50,493,267	43,365,789
Payables	(56,627)	(54,370)
<b>Total Housing Development Fund assets and liabilities</b>	<b>50,436,640</b>	<b>43,311,419</b>
The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include net rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.		
<b>2. RESERVES</b>		
<i>2.1 Capitalisation Reserve</i>	386,143,913	422,563,207
On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the Provincial Ordinance applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).		
When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).		

<i>2.2 Government Grant Reserve</i>	594,833,700	324,590,572
When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).		
When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).		
<i>2.3 Donations and Public Contributions Reserve</i>	5,967,997	6,580,227
When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.		
When an item of property, plant and equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).		
<i>2.4 Self-Insurance Reserve</i>	73,259,404	72,865,442
The Municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims, which are not insured externally. The contribution to the fund is determined by the council's insurance broker and is transferred to the fund from the accumulated surplus/(deficit). Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus. The balance of the self-insurance fund is invested.		
<i>2.5 COID Reserve</i>	12,856,623	12,991,730
The Municipality has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases (COID). In terms of the exemption from the Compensation Commissioner, the Municipality has established a COID reserve to offset claims from employees. Amounts are transferred to the COID Reserve from the accumulated surplus based on the amounts as approved in the annual budget as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.		
Claims are paid as determined by the Compensation Commissioner. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus.		
<i>2.6 Revaluation Reserve</i>	587,850,107	709,578,175

The surplus arising from the revaluation of land is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

Any impairment loss of a revalued asset shall be treated as a revaluation decrease. To the extent that the impairment loss exceeds the revaluation surplus for the same asset, the impairment loss is recognised in surplus or deficit.

### 3. LONG-TERM BORROWINGS

Annuity loans	15,935,063	17,480,092
Sub-total	15,935,063	17,480,092
Less: current portion transferred to current liabilities	(1,636,885)	(1,550,736)
Annuity loans	(1,636,885)	(1,550,736)
<b>Total long-term borrowings</b>	<b>14,298,178</b>	<b>15,929,356</b>

All annuity loans are from The Development Bank of South Africa and repayments are made on a six monthly basis. The last loan will be redeemed at 31 December 2015 and the loans carry interest between 10% and 14% per annum.

Refer to Appendix A for more detail on long-term borrowings.

### 4. NON-CURRENT PROVISIONS

Provision for the reclamation of quarry sites	3,664,859	3,172,202
<b>Total non-current provisions</b>	<b>3,664,859</b>	<b>3,172,202</b>

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002), it is required from the municipality to execute the environmental management program to restore the Petra Quarry site after its useful life. Provision has been made for this cost based on the future value of the rehabilitation cost on 31 May 2016.

The area to be rehabilitated for all the active quarries as at 30 June 2008 was determined. An independent quotation was obtained for the rehabilitation cost per hectare as at 30 June 2008. The provision for rehabilitation was calculated using the cost per hectare multiplied by the size of the quarry to be rehabilitated.

**The movement in the non-current provision is reconciled as follows:-**

<b>30 June 2008</b>		<b>Petra Quarry</b>
Balance at beginning of year	1,783,183	
Increase in provision due to discounting	278,426	
<b>Balance at end of year</b>	<b>2,061,609</b>	

<b>30 June 2008</b>		<b>Cecilia Quarry</b>
Balance at beginning of year	74,766	
Increase in provision due to discounting	5,234	
<b>Balance at end of year</b>	<b>80,000</b>	

<b>30 June 2008</b>		<b>Sunnyside Quarry</b>
Balance at beginning of year	193,458	
Increase in provision due to discounting	31,542	

<b>Balance at end of year</b>		225,000
<b>30 June 2008</b>		
Balance at beginning of year		Thaba Nchu Quarries
Increase in provision due to discounting		975,000
<b>Balance at end of year</b>		120,750
		1,095,750
<b>30 June 2008</b>		
Balance at beginning of year		Botshabelo Quarries
Increase in provision due to discounting		145,794
<b>Balance at end of year</b>		56,706
		202,500
<b>30 June 2007</b>		
Balance at beginning of year		Petra Quarry
Increase in provision due to discounting		1,758,127
<b>Balance at end of year</b>		25,056
		1,783,183
<b>30 June 2007</b>		
Balance at beginning of year		Cecilia Quarry
Increase in provision due to discounting		13,631
<b>Balance at end of year</b>		61,135
		74,766
<b>30 June 2007</b>		
Balance at beginning of year		Sunnyside Quarry
Increase in provision due to discounting		169,711
<b>Balance at end of year</b>		23,747
		193,458
<b>30 June 2007</b>		
Balance at beginning of year		Thaba Nchu Quarries
Increase in provision due to discounting		911,259
<b>Balance at end of year</b>		63,741
		975,000
<b>30 June 2007</b>		
Balance at beginning of year		Botshabelo Quarries
Increase in provision due to discounting		99,509
<b>Balance at end of year</b>		46,285
		145,794
<b>5. CONSUMER DEPOSITS</b>		
Water	21,694,492	16,198,159
Interest paid	824,571	531,263
<b>Total consumer deposits</b>	22,519,063	16,729,422
Included in deposits is an accrual of interest at an effective interest rate of 4% per annum, which is paid to consumers when deposits are refunded.		
<b>Guarantees in lieu of water deposits</b>	4 524 995,01	4,302,878

<b>6. PAYABLES</b>		
Trade payables	117,081,966	66,321,782
Payments received in advance	84,676,632	66,243,334
Retention	21,972,582	49,899,540
Staff bonuses	11,742,155	11,689,465
Staff leave	33,309,037	28,275,138
Deferred interest	5,694,473	5,217,678
Other payables	4,404,751	4,463,265
<b>Sub total</b>	<b>278,881,596</b>	<b>232,110,202</b>
Inter-company loan to Centlec (Pty) Ltd	194,653,900	172,811,329
<b>Total payables</b>	<b>473,535,496</b>	<b>404,921,531</b>

<b>7. UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
<i>Conditional grants from other spheres of government</i>		
Restructuring Grant	7,886,980	19,136,954
Financial Management Grant	2,105,977	1,755,483
Water Services Operating and Transfer Subsidy (DWAF)	9,503,684	9,503,684
Municipal Infrastructure Grant	16,401,883	11,180,463
Municipal Systems Improvement Grant	954,651	1,291,463
Public Transport Infrastructure & System Fund Grant	58,030,517	48,523,206
2010 Stadia Development Grant	68,179,978	4,013,816
Housing Grant: Municipal Accreditation Funding	1,854,984	653,845
DBSA Grant Capacity Building Programme	468,208	234,104
2010 Soccer DBSA	2,000,000	2,000,000
Provision Grant Land Use Scheme	1,600,000	880,000
Provision Transfer Grasslands	4,500,000	4,500,000
Provision Grant Planning and Surveying	821,100	821,100
Local Government & Housing Grant	9,296,800	-
Local Government & Housing Infrastructure Grant	30,067,358	-
Motheo Contribution Environmental Health	3,777,980	-
<b>Total conditional grants and receipts</b>	<b>217,450,100</b>	<b>104,494,118</b>

See note 18 for reconciliation of grants from other spheres of government. These amounts are invested until utilized. The amounts will be recognised as revenue when the qualifying expenditure is incurred. No grants were withheld due to unfulfilled conditions.

<b>8. TAXES PAYABLE</b>		
VAT payable	33,614,429	21,379,058

The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only declared once cash is received or actual payments are made.

**MANGAUNG LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**9. PROPERTY, PLANT AND EQUIPMENT**

**30 June 2008**

<b>Reconciliation of Carrying Value</b>	<b>Land and Buildings R</b>	<b>Infra- structure R</b>	<b>Community R</b>	<b>Other R</b>	<b>Total R</b>
<b>Carrying values</b>					
<b>at 1 July 2007</b>	<b>937,457,231</b>	<b>795,936,227</b>	<b>15,116,312</b>	<b>105,421,688</b>	<b>1,853,931,458</b>
Cost	1,187,091,741	1,539,240,049	23,664,308	308,944,950	3,058,941,048
Revaluation	10,904,800	-	-	-	10,904,800
Accumulated depreciation	(260,539,310)	(743,303,822)	(8,547,996)	(203,523,262)	(1,215,914,390)
Acquisitions	171,295,508	266,888,918	2,919,612	39,828,769	480,932,807
Increases /(decreases) in revaluation	(110,055,868)	-	-	715,917	(109,339,951)
Depreciation	(11,928,686)	(63,666,372)	(777,835)	(22,114,276)	(98,487,169)
- based on cost	(11,928,686)	(63,666,372)	(777,835)	(18,650,257)	(95,023,150)
- based on revaluation	-	-	-	(3,464,019)	(3,464,019)
Carrying value of disposals	(6,181,186)	-	-	(427,359)	(6,608,545)
Cost / revaluation	(9,559,875)	-	-	(3,712,025)	(13,271,900)
Accumulated depreciation	3,378,689	-	-	3,284,666	6,663,355
<b>Carrying values</b>					
<b>at 30 June 2008</b>	<b>980,586,999</b>	<b>999,158,773</b>	<b>17,258,089</b>	<b>123,424,739</b>	<b>2,120,428,600</b>
Cost	1,359,732,174	1,806,128,967	26,583,920	345,777,611	3,538,222,672
Revaluation	(110,055,868)	-	-	-	(110,055,868)
Accumulated depreciation	(269,089,307)	(806,970,194)	(9,325,831)	(222,352,872)	(1,307,738,204)

**30 June 2007**

<b>Reconciliation of Carrying Value</b>	<b>Land and Buildings R</b>	<b>Infra- structure R</b>	<b>Community R</b>	<b>Other R</b>	<b>Total R</b>
<b>Carrying values</b>					
<b>at 1 July 2006</b>	<b>870,058,593</b>	<b>731,144,687</b>	<b>13,920,997</b>	<b>113,841,280</b>	<b>1,728,965,557</b>
Cost	1,079,813,057	1,262,446,499	21,173,688	297,896,121	2,661,329,365
Revaluation	936,900	-	-	-	936,900
Accumulated depreciation	(210,691,364)	-	(7,252,691)	(184,054,841)	(933,300,708)

	(531,301,812)				
Acquisitions	87,486,008	181,782,249	2,509,591	25,275,138	297,052,986
Increases /(decreases) in revaluation	10,904,800	-	-	-	10,904,800
Depreciation	(53,056,730)	(231,481,863)	(1,295,937)	(27,102,851)	(312,937,381)
- based on cost	(12,271,830)	(58,771,233)	(1,295,937)	(27,102,851)	(99,441,851)
- Other movements	(40,784,900)	(172,710,630)	-	-	(213,495,530)
Carrying value of disposals	(18,720,340)	(58,219,476)	(18,339)	(6,591,879)	(83,550,034)
Cost / revaluation	(21,929,124)	(77,699,329)	(18,971)	(14,226,309)	(113,873,733)
Accumulated depreciation	3,208,784	19,479,853	632	7,634,430	30,323,699
Other movements	40,784,900	172,710,630	-	-	213,495,530
<b>Carrying values at 30 June 2007</b>	<b>937,457,231</b>	<b>795,936,227</b>	<b>15,116,312</b>	<b>105,421,688</b>	<b>1,853,931,458</b>
Cost	1,187,091,741	1,539,240,049	23,664,308	308,944,950	3,058,941,048
Revaluation	10,904,800	-	-	-	10,904,800
Accumulated depreciation	(260,539,310)	(743,303,822)	(8,547,996)	(203,523,262)	(1,215,914,390)
Refer to Appendix B for more detail on property, plant and equipment.					
The municipality did not review the useful life or the depreciation method used or residual values on the assets recognised in the annual financial statements in accordance with the exemption granted in terms of General notice 552 of 2007 in Government Gazette 30013 of 29 June 2007. Furthermore, the municipality did not consider impairment.					
Included in land and buildings above are items that may meet the definition of investment property but have been included as PPE in accordance with the exemption granted in terms of General notice 552 of 2007 in Government Gazette 30013 of 29 June 2007.					

**MANGAUNG LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
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Erven were revalued on a current value basis on 1 July 2003 by an independent valuer with the qualifications of an associated valuer. Interim valuations are performed when erven are for example subdivided or consolidated.

Immovable capital assets inventory is included under property, plant and equipment in accordance with the exemptions in terms of General notice 552 of 2007 in Government Gazette no. 30013 of 29 June 2007.

The municipality did not apply the requirements of IFRS 5 in accordance with the exemption granted in terms of General notice 552 in Government Gazette 30013 of 29 June 2007.

Included in other assets is leased equipment to the amount of R 3,731,615 (2007: R 4,574,540)

**10. INVESTMENTS**

**Financial instruments**

**Unlisted**

**Available-for-sale financial assets**

Investment in municipal entity - Centlec (Pty) Ltd	100	100
Senwes Ltd shares	-	5,658
OVK Holdings Ltd	2,535	2,535
<b>Total unlisted</b>	<b>2,635</b>	<b>8,293</b>

The fair value of OVK Holdings Ltd shares could not be estimated reliably and is therefore reflected at cost as per IAS 39.46(c).

**Held-to-maturity financial assets**

Held-to-maturity investments maturing during 4 to 12 months	161,547	66,858,992
<b>Total cash investments</b>	<b>161,547</b>	<b>66,858,992</b>
<b>Total investments</b>	<b>164,182</b>	<b>66,867,285</b>

Included in Held-to-maturity investments, is an amount of R125,647, being the impaired value of an investment at New Republic Bank currently under curatorship. Surplus funds are invested until used for specific purposes.

Interest on investments held to maturity	22,459,987	28,583,362
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**Council's valuation of unlisted investments**

Investment in municipal entity - Centlec (Pty) Ltd	38,493,477	100
Senwes Ltd shares	-	-

			5,658
OVK Holdings Ltd		8,800	2,535
		38,502,277	8,293

Centlec (Pty) Ltd is a 100% held subsidiary of the municipality and is not consolidated in line with the exemptions in terms of General Notice 522, in Government Gazette no. 30013 of 29 June 2007.

The valuations are based on the following:

Investment in municipal entities - Centlec (Pty) Ltd - Net assets and liabilities value

OVK Holdings Ltd- Valuation obtained from OVK Holdings Ltd

## 11. LONG-TERM RECEIVABLES

Shareholders loan - Centlec (Pty) Ltd	1,339,348,947	1,339,348,947
Other loans to Centlec (Pty) Ltd	94,838,339	60,194,258
Motor vehicle loans	2,655,045	5,264,939
Study loans	73,560	108,027
Erven loans	15,927,901	15,133,500
Housing selling scheme loans	38,107,331	38,508,222
	1,490,951,123	1,458,557,893
Less: Current portion transferred to current assets	31,072,081	29,133,767
Other loans to Centlec (Pty) Ltd	5,582,794	3,042,745
Motor vehicle loans	2,250,778	3,477,362
Study loans	73,560	101,342
Erven loans	8,004,582	7,117,103
Housing selling scheme loans	15,160,367	15,395,215
<b>Total long-term receivables</b>	<b>1,459,879,042</b>	<b>1,429,424,126</b>

### *Shareholders loan - Centlec (Pty) Ltd*

A shareholders loan account was established in accordance with the sale of business agreement for the purchase of the electricity service by Centlec. The capital amount outstanding bears interest from the effective date of 1 July 2005 by applying an interest rate on the loan account to achieve an agreed upon revenue for the municipality, based upon the past contribution to the Rate and General Services.

#### ***Other loans to Centlec (Pty) Ltd***

Loans are granted to Centlec for capital expenditure at an interest rate of 10% per annum and repayable over the estimated life of the financed asset.

#### ***Motor vehicle loans***

Permanent staff obtained loans at 8.50% interest per annum repayable over a period of 3 to 6 years. Other staff's loans bear interest of prime plus 1% and are also repayable over a period of 3 to 6 years. The loans are repaid on a monthly basis by way of salary deductions. These loans are being phased out and are completely repayable in the year 2010.

#### ***Study loans***

Staff members qualified for interest free study loans under the approved study scheme of the municipality. These loans are repaid on a monthly basis by way of salary deductions. These loans are being phased out and no further loans are granted.

#### ***Erven loans***

Loans were granted to the public for the sale of erven, repayable over a maximum period of five years at an interest rate of 1% above the bank rate of the municipality. These loans are repaid on a monthly basis by way of salary deductions. No further loans are granted.

#### ***Housing selling scheme loans***

Housing loans were granted to qualifying individuals and public organizations in terms of the housing program. These loans attract interest of between 6% and 14% per annum and are repayable over 20 years. These loans are repaid on a monthly basis by way of salary deductions for officials and six monthly payments by public organisations.

## **12. INVENTORY**

Consumable stores- at cost	1,835,572	1,751,871
Water maintenance material - at cost	1,065,138	624,884
Water in reservoirs - at cost	563,466	560,932
Fuel - at cost	1,418,155	763,395
<b>Total inventory</b>	<b>4,882,331</b>	<b>3,701,082</b>

The municipality is in the process of phasing in the calculations of water stock in accordance with the exemption granted in terms of General notice 552 in Government Gazette 30013 of 29 June 2007.

**13. CONSUMER RECEIVABLES**

	<b>Gross Balance</b>	<b>Provision for Bad Debt</b>	<b>Net Balance</b>
<b>As at 30 June 2008</b>			
Service receivables	604,696,381	(331,641,543)	273,054,838
Rates	233,853,135	(193,635,372)	40,217,763
Electricity	3,551,992	(290,715)	3,261,277
Water	238,092,447	(127,141,103)	110,951,344
Sewerage	129,198,807	(10,574,353)	118,624,454
Housing rentals	13,490,036	(1,104,100)	12,385,936
<b>Total</b>	<b>618,186,417</b>	<b>(332,745,643)</b>	<b>285,440,774</b>

**As at 30 June 2007**

Service receivables	544,158,851	(311,730,053)	232,428,798
Rates	211,031,306	(120,892,454)	90,138,852
Electricity	4,813,158	(2,768,529)	2,044,629
Water	201,379,097	(115,355,394)	86,023,703
Sewerage	126,935,290	(72,713,676)	54,221,614
Housing rentals	11,349,291	(6,491,724)	4,857,567
<b>Total</b>	<b>555,508,142</b>	<b>(318,221,777)</b>	<b>237,286,365</b>

**Rates: ageing**

Current (0 – 30 days)	23,578,112	23,631,097
31 - 60 Days	9,098,485	8,295,224
61 - 90 Days	7,196,315	5,909,215
90+ Days	193,980,223	173,195,770
<b>Total</b>	<b>233,853,135</b>	<b>211,031,306</b>

**Electricity: ageing**

90+ Days	3,551,992	4,813,158
<b>Total</b>	<b>3,551,992</b>	<b>4,813,158</b>

**Water and sewerage: ageing**

Current (0 – 30 days)	33,997,940	34,582,250
31 - 60 Days	17,319,958	

			14,833,826
61 - 90 Days		14,049,279	13,339,591
90+ Days		301,924,077	265,558,720
<b>Total</b>		<b>367,291,254</b>	<b>328,314,387</b>
<b><u>Housing rentals: ageing</u></b>			
Current (0 – 30 days)		587,338	599,284
31 - 60 Days		418,364	564,229
61 - 90 Days		376,331	326,166
90+ Days		12,108,003	9,859,612
<b>Total</b>		<b>13,490,036</b>	<b>11,349,291</b>
 <b>Summary of receivables by customer classification</b>			
	<b>Consumers</b> <b>R</b>	<b>Industrial/ Commercial</b> <b>R</b>	<b>National and Provincial Government</b> <b>R</b>
<b>30 June 2008</b>			
Current (0 – 30 days)	39,996,112	17,639,947	845,622
31 - 60 Days	17,908,535	8,366,828	658,579
61 - 90 Days	16,356,500	4,792,960	581,783
90+ Days	402,323,854	57,299,552	51,416,143
<b>Sub-total</b>	<b>476,585,001</b>	<b>88,099,287</b>	<b>53,502,127</b>
Less: Provision for bad debt	(256,816,925)	(47,240,107)	(28,688,611)
<b>Total receivables by customer classification</b>	<b>219,768,076</b>	<b>40,859,180</b>	<b>24,813,516</b>
<b>30 June 2007</b>			
Current (0 – 30 days)	39,217,220	16,110,618	3,484,793
31 - 60 Days	15,856,209	6,824,123	1,012,947
61 - 90 Days	14,398,171	4,192,251	984,550
90+ Days	339,610,706	54,532,932	59,283,622
<b>Sub-total</b>	<b>409,082,306</b>	<b>81,659,924</b>	<b>64,765,912</b>
Less: Provision for bad debt	(234,342,017)	(46,778,731)	(37,101,029)
<b>Total receivables by customer classification</b>	<b>174,740,289</b>	<b>34,881,193</b>	<b>27,664,883</b>
		<b>2008</b>	<b>2007</b>

<u>Reconciliation of bad debt provision</u>	R	R
Balance at beginning of year	318,221,776	289,082,039
Contributions to provision	42,598,989	39,037,268
Bad debts written off against provision	(28,075,122)	(9,897,530)
Balance at the end of the year	332,745,643	318,221,777
<b>14. OTHER RECEIVABLES</b>		
Sundry receivables	41,959,830	39,912,687
Deferred lease income	11,847,365	5,939,572
Leave receivables	751,926	650,392
Outstanding health claims	1,537,952	6,790,446
Interest on investments	1,052,683	7,313,710
Insurance claims	344,095	355,727
<b>Total other receivables</b>	<b>57,493,851</b>	<b>60,962,534</b>
<b>15. BANK BALANCES AND CASH</b>		
The municipality has the following bank accounts:		
<b><u>Current account (primary bank account)</u></b>		
ABSA Bank		
Account number 470000465		
Cashbook balance at the beginning of the year	15,215,159	62,970,698
Cashbook balance at the end of the year	19,359,571	15,215,159
Bank statement balance at the beginning of the year	42,215,585	109,720,698
Bank statement balance at the end of the year	20,288,117	42,215,585
<b><u>Current account (fresh produce market)</u></b>		
ABSA Bank		
Account Number 470001348		
Cashbook balance at the beginning of the year	2,738,547	1,267,868
Cashbook balance at the end of the year	2,565,036	2,738,547

Bank statement balance at the beginning of the year	2,738,547	1,267,868
Bank statement balance at the end of the year	2,565,036	2,738,547

**Current account (2010 FIFA world cup)**

ABSA Bank  
Account Number 4067877886

Cashbook balance at the beginning of the year	4,013,816	-
Cashbook balance at the end of the year	60,651,781	4,013,816

Bank statement balance at the beginning of the year	4,013,816	-
Bank statement balance at the end of the year	60,651,781	4,013,816

**Total cashbook balance at the beginning of the year** 21,967,522      **64,238,566**

**Total cashbook balance at the end of the year** 82,576,387      **21,967,522**

The municipality has the following cash on hand: 46,319      45,919

**16. PROPERTY RATES**

Residential and commercial	227,070,438	206,655,899
State	21,645,327	21,301,241
Municipal	1,457,715	1,383,567
<b>Total assessment rates</b>	<b>250,173,480</b>	<b>229,340,707</b>

**Valuations**

Residential	10,710,581,023	10,650,797,369
Commercial	3,858,447,767	3,994,846,850
State	1,800,526,100	1,695,600,500
Municipal	1,607,846,191	1,503,759,000
<b>Total property valuations</b>	<b>17,977,401,081</b>	<b>17,845,003,719</b>

Valuations on land and buildings are performed at least every five years. The last valuation came into effect on 1 July 2003. The basic rates of R0.0829 (2007: R0.0782) on the value of land and R0.0082 (2007: R0.0071) on the value of improvements are applied to determine assessment rates. A rebate of 40% is granted to owners whose properties are used solely for residential purposes, including properties which are zoned for the purpose of town houses and flats, as well as smallholdings and farms used solely for residential and agricultural purposes. A rebate of 20% is applied on residential properties from which an informal business is operated. A rebate of 100% is granted in the Bloemindustria industrial area.

**17. SERVICE CHARGES**

Sale of water		244,439,088	232,293,374
Refuse removal		3,622,819	3,309,569
Sewerage and sanitation charges		92,148,980	82,683,651
<b>Total service charges</b>		<b>340,210,887</b>	<b>318,286,594</b>
<b>18. GOVERNMENT GRANTS AND SUBSIDIES RECEIVED</b>			
Equitable share	18.1	236,570,775	196,823,266
Restructuring Grant	18.2	11,249,974	19,211,187
Financial Management Grant	18.3	149,506	460,477
Provincial health subsidies	18.4	3,800,285	14,598,323
Municipal Systems Improvement Grant		336,812	
	18.5		190,000
Water Services Operating and Transfer Subsidy (DWAF)	18.6	-	1,856,314
National Electrification Program Grant		23,213,000	3,999,600
	18.7		
Municipal Infrastructure Grant	18.8	165,012,651	91,525,196
Public Transport Infrastructure & System Fund Grant	18.9	15,492,689	4,306,794
Housing Grant: Municipal Accreditation Funding	18.10	1,198,861	3,592,635
2010 Stadia Development Grant	18.11	119,602,028	-
DBSA Grant Capacity Building Programme	18.12	-	-
2010 Soccer DBSA	18.13	-	-
Provision Grant Land Use Scheme	18.14	-	-
Provision Transfer Grasslands	18.15	-	-
Provision Grant Planning and Surveying	18.16	-	-
Local Government & Housing Grant	18.17	-	-
Local Government & Housing Infrastructure Grant	18.18	-	-
Motheo Contr-Environmental Health	18.19	-	-
<b>Total government grants &amp; subsidies received</b>		<b>576,626,581</b>	<b>336,563,792</b>
No grants were withheld due to unfulfilled conditions.			
<b>18.1 Equitable share</b>			
Balance unspent at beginning of year		-	-
Current year receipts		236,570,775	196,823,266
Conditions met - transferred to revenue		(236,570,775)	(196,823,266)
Conditions still to be met - transferred to liabilities (see note 7)		-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.

#### **18.2 Restructuring Grant**

Balance unspent at beginning of year	19,136,954	28,348,141
Current year receipts	-	10,000,000
Conditions met - transferred to revenue	(11,249,974)	(19,211,187)
Operating expenditure	(11,249,974)	(18,837,045)
Capital expenditure	-	(374,142)
Conditions still to be met - transferred to liabilities (see note 7)	7,886,980	19,136,954

The purpose of the grant is to support municipal restructuring initiatives of large municipalities. Funds are made available on the basis of an approved restructuring plan that addresses challenges in a sustainable manner.

#### **18.3 Financial Management Grant**

Balance unspent at beginning of year	1,755,483	1,715,960
Current year receipts	500,000	500,000
Conditions met - transferred to revenue	(149,506)	(460,477)
Conditions still to be met - transferred to liabilities (see note 7)	2,105,977	1,755,483

The purpose of the grant is to promote and support reforms to financial management and the implementation of the Municipal Finance Management Act (MFMA).

#### **18.4 Provincial health subsidies**

Balance unspent at beginning of year	-	-
Current year receipts	3,800,285	14,598,323
Conditions met - transferred to revenue	(3,800,285)	(14,598,323)
Conditions still to be met - transferred to liabilities (see note 7)	-	-

The municipality renders health services on behalf of the Provincial Government and is refunded approximately 60% of total expenditure incurred. The grant is used mainly to fund primary health care services.

#### **18.5 Municipal Systems Improvement Grant**

Balance unspent at beginning of year	1,291,463	1,481,463
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Current year receipts	-	-
Conditions met - transferred to revenue	(336,812)	(190,000)
Conditions still to be met - transferred to liabilities (see note 7)	954,651	1,291,463

The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Municipal Systems Act of 2000.

#### **18.6 Water Services Operating and Transfer Subsidy (DWAF)**

Balance unspent at beginning of year	9,503,684	1,859,998
Current year receipts	-	9,500,000
Conditions met - transferred to revenue	-	(1,856,314)
Conditions still to be met - transferred to liabilities (see note 7)	9,503,684	9,503,684

The purpose of the grant is to fund bulk, connector and internal infrastructure for water services at a basic level of service.

#### **18.7 National Electrification Program Grant**

Balance unspent at beginning of year	-	-
Current year receipts	23,213,000	3,999,600
Conditions met - transferred to Centlec	(23,213,000)	(3,999,600)
Conditions still to be met - transferred to liabilities (see note 7)	-	-

The grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure. The grant is transferred to Centlec.

#### **18.8 Municipal Infrastructure Grant**

Balance unspent at beginning of year	11,180,463	6,883,991
Current year receipts	170,234,072	95,821,668
Conditions met - transferred to revenue	(165,012,651)	(91,525,196)
Conditions still to be met - transferred to liabilities (see note 7)	16,401,884	11,180,463

The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.

**18.9 Public Transport Infrastructure & System Fund Grant**

Balance unspent at beginning of year	48,523,206	23,600,000
Current year receipts	25,000,000	29,230,000
Conditions met - transferred to revenue	(15,492,689)	(4,306,794)
Conditions still to be met - transferred to liabilities (see note 7 )	58,030,517	48,523,206

The grant is allocated to the municipality to improve public transport infrastructure and systems, in accordance with agreed project plans.

**18.10 Housing Grant: Municipal Accreditation Funding**

Balance unspent at beginning of year	653,845	-
Current year receipts	2,400,000	4,246,480
Conditions met - transferred to revenue	(1,198,861)	(3,592,635)
Conditions still to be met - transferred to liabilities (see note 7 )	1,854,984	653,845

The grant is allocated to the municipality to finance and support the municipal accreditation project as well as capacity development.

**18.11 2010 Stadia Development Grant**

Balance unspent at beginning of year	4,013,816	-
Current year receipts	183,768,190	4,013,816
Conditions met - transferred to revenue	(119,602,028)	-
Conditions still to be met - transferred to liabilities (see note 7 )	68,179,978	4,013,816

The grant is allocated to the municipality for the development and improvement of the sport stadium for the 2010 Soccer World Cup.

**18.12 DBSA Grant Capacity Building Programme**

Balance unspent at beginning of year	234,104	234,104
Current year receipts	234,104	-
Conditions met - transferred to revenue		-
Conditions still to be met - transferred to liabilities (see note 7 )	468,208	234,104

Grant will be used for Capacity Building.

**18.13 DBSA 2010 Soccer**

Balance unspent at beginning of year	2,000,000	-
Current year receipts		-

Conditions met - transferred to revenue		2,000,000
Conditions still to be met - transferred to liabilities (see note 7 )	2,000,000	2,000,000
Grant for the expenditure of the 2010 Soccer World Cup		
<b>18.14 Grant Land Use Scheme</b>		
Balance unspent at beginning of year	880,000	-
Current year receipts	720,000	880,000
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities (see note 7 )	1,600,000	880,000
To assist Municipality with compilation of a Town Planning scheme to manage land development.		
<b>18.15 Transfer Grasslands</b>		
Balance unspent at beginning of year	4,500,000	-
Current year receipts	4,500,000	
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities (see note 7 )	4,500,000	4,500,000
Infrastructure of Grasslands area. To be used for installation of stormwater drainage and regravelling of roads. Planning & surveying in respect of Phase 3.		
<b>18.16 Grant Planning &amp; Surveying</b>		
Balance unspent at beginning of year	821,100	-
Current year receipts	821,100	
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities (see note 7 )	821,100	821,100
To assist Municipality with compilation of a Town Planning scheme to manage land development.		
<b>18.17 Local Government &amp; Housing Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	9,296,800	
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities (see note 7 )	9,296,800	-
Upgrading of White City Hostels.		
<b>18.18 Local Government &amp; Housing Infrastructure Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	30,067,358	
Conditions met - transferred to revenue		

Conditions still to be met - transferred to liabilities (see note 7 )	<b>30,067,358</b>	-
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Grant for infrastructure for housing projects for the Grassland area.

#### **18.19 Motheo Contribution Environmental Health**

Balance unspent at beginning of year	-	-
Current year receipts	3,777,980	
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities (see note 7 )	<b>3,777,980</b>	-

Grant for the rendering of environmental health services.

#### **18.20 Changes in level of government grants**

Based on the allocations set out in the Division of Revenue Act, (Act no. 1 of 2007), no significant changes in the level of government grant funding are expected over the forthcoming three financial years.

### **19. OTHER INCOME**

Commission Fresh Produce Market	11,986,751	9,690,100
Building plan fees	3,511,675	2,996,250
Grave plots	2,722,745	2,353,060
Sale of land	14,472,415	3,943,248
SASCOC subsidy	7,167,637	-
National Lottery funds	3,634,510	91,135
Sale of redundant materials	4,031,752	19,586
Special removals	1,528,966	1,694,988
Unclaimed deposits	2,112,095	2,631,722
Reconnection of water	2,194,754	1,060,795
Entrance fees	1,072,180	1,129,743
Training costs recoverable	560,680	525,039
Administration costs recoverable	811,430	729,083
Parking fees	835,411	824,656
Other income	12,346,136	8,809,405
<b>Total other income</b>	<b>68,989,138</b>	<b>36,498,810</b>

### **20. EMPLOYEE RELATED COSTS**

Employee related costs - Salaries and wages	368,388,556
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			353,040,221
Employee related costs - Contributions for UIF, pensions and medical aids	81,872,594	79,604,233	
Travel, motor car, accommodation, subsistence and other allowances	30,963,401	26,250,451	
Housing benefits and allowances	4,544,706	4,006,838	
Overtime payments	28,978,394	32,816,544	
Performance bonuses	2,976,477	4,458,230	
Long-service awards	19,467	18,659	
Provision for bonuses	52,690	928,490	
Provision for leave	10,434,589	2,472,266	
<b>Total employee related costs</b>	<b>528,230,874</b>	<b>503,595,932</b>	
Included above are employees in service of the municipality, which are seconded to the municipal entity Centlec (Pty) Ltd. The total cost charged to Centlec in this regard is R74,559,732 (2007: R69,883,229) and is reflected in the Statement of Financial Performance as income for agency services.			
There were no advances to employees. Loans to employees are set out in note 11.			
<b><i>Remuneration of the Municipal Manager</i></b>			
Annual remuneration	1,069,714	897,132	
Performance bonus	-	55,271	
Car allowance	180,000	180,000	
Contribution to UIF, medical and pension funds	15,679	14,339	
<b>Total</b>	<b>1,265,393</b>	<b>1,146,742</b>	
<b><i>Remuneration of the Chief Financial Officer</i></b>			
Annual remuneration	681,423	507,144	
Performance bonus	-	125,512	
Car allowance	156,000	123,564	
Contribution to UIF, medical and pension funds	164,232	88,743	
<b>Total</b>	<b>1,001,655</b>	<b>844,963</b>	
The contract of the previous CFO terminated on 30 November 2006. He acted as CFO up to 12 March 2007. A new CFO was appointed on 13 March 2007.			
<b><i>Remuneration of the Chief Operating Officer</i></b>			
Annual remuneration	863,956	312,485	

Performance bonus	-	-
Car allowance	130,440	43,480
Contribution to UIF, medical and pension funds	7,259	2,281
<b>Total</b>	<b>1,001,655</b>	<b>358,246</b>

The remuneration as reflected in 2008 is for a period of 12 months and for 2007, for a period of 4 months due to a new appointment during 2007.

**Remuneration of individual Executive Directors:**

***Executive Director: Community and Social Development***

Annual remuneration	367,740	688,281
Performance bonus	-	157,841
Car allowance	25,000	60,000
Contribution to UIF, medical and pension funds	65,322	149,817
<b>Total</b>	<b>458,062</b>	<b>1,055,939</b>

The renumeration as reflected in 2008 is for a period of 5 months due to the resignation during 2008.

***Executive Director: Corporate Services***

Annual remuneration	837,066	779,160
Performance bonus	-	151,665
Car allowance	84,000	84,000
Contribution to UIF, medical and pension funds	1,511	1,435
<b>Total</b>	<b>922,577</b>	<b>1,016,260</b>

***Executive Director: Economic Development and Planning***

Annual remuneration	880,144	275,518
Performance bonus	-	-
Car allowance	120,000	40,000
Contribution to UIF, medical and pension funds	1,511	478
<b>Total</b>	<b>1,001,655</b>	<b>315,996</b>

The remuneration as reflected in 2008 is for a period of 12 months and for 2007 is for a period of 4 months due to a new appointment during 2007.

***Executive Director: Infrastructure***

Annual remuneration	430,741
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			842,248
Performance bonus		-	175,944
Car allowance	138,000	156,000	
Contribution to UIF, medical and pension funds	6,277	1,435	
<b>Total</b>	<b>575,018</b>	<b>1,175,627</b>	
<p>The remuneration as reflected in 2008 is for a period of 7 months due to a new appointment during 2008.</p>			
<b>21. REMUNERATION OF COUNCILLORS</b>			
Executive Mayor	568,334	528,683	
Deputy Executive Mayor	454,667	422,946	
Speaker	454,667	422,946	
Chief Whip	426,250	396,512	
Mayoral Committee Members	3,836,250	3,568,608	
Councillors	13,165,514	11,611,518	
<b>Total Councillors' Remuneration</b>	<b>18,905,682</b>	<b>16,951,213</b>	
<p>The Minister for Provincial and Local Government changed the remuneration of councillors to total remuneration packages by means of Government Notice number 8808 in Government Gazette number 30600 dated 18 December 2007. This means that the council's contribution to pension and medical aid funds for 2007 is included in the abovementioned figures.</p>			
<b><i>In-kind benefits</i></b>			
<p>The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time employees of the municipality. Each is provided with an office and secretarial support at the cost of the council.</p>			
<p>The Executive Mayor and Deputy-Executive Mayor have use of council owned vehicles for official duties.</p>			
<p>The Executive Mayor and Deputy Executive Mayor have five bodyguards and an official driver at the cost of Council.</p>			
<b>22. FINANCE COSTS</b>			
Borrowings - The Development Bank of South Africa	1,745,118	1,902,643	
Consumer deposits	824,571	531,263	
Finance leases	350,227	559,092	
<b>Total interest on external borrowings</b>	<b>2,919,916</b>	<b>2,992,998</b>	

**23. BULK PURCHASES**

Water	169,206,138	157,737,246
<b>Total bulk purchases</b>	<b>169,206,138</b>	<b>157,737,246</b>

**24. GRANTS AND SUBSIDIES PAID**

Miscellaneous grants	69,073	56,327
SPCA	284,100	270,580
Central Agricultural Society	5,915	-
Bursaries - employees	527,372	537,906
Cost of living allowance - pensioners	112,841	107,742
Ex-employees - medical aid contribution	4,460,470	4,170,053
Centlec (Pty) Ltd - Free services recoverable	35,687,385	30,076,120
National Electrification Program Grant	23,213,000	3,999,600
<b>Total grants and subsidies</b>	<b>64,360,156</b>	<b>39,218,328</b>

Miscellaneous grants are allocated mainly for ad hoc grants and the free use of council facilities, as approved during the year.

The subsidy to SPCA is paid annually to assist this organisation in performing its tasks.

The payment to the Central Agricultural Society is for the maintenance of council's property at the show grounds, which are used in accordance with an agreement with the society.

Bursaries are paid to employees in accordance with the approved study scheme.

The cost of living allowance is applicable to Black pensioners of the former Bloemfontein municipality who did not belong to a pension fund, which are subsidised according to an approved formula.

The medical aid contribution of pensioners is subsidised by the municipality to a maximum of 60% of the cost of the prescribed basic medical plan.

The free electricity provided by Centlec (Pty) Ltd is recoverable from the equitable share grant.

The National Electrification Program Grant received by the municipality was transferred to Centlec. See note 18.7.

**MANGAUNG LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008	2007
	R	R
<b>25. GENERAL EXPENSES</b>		
Included in general expenses is the following:		
Restructuring Grant - projects	11,249,974	18,837,045
Fuel	19,814,776	17,093,139
Legal expenses	1,037,555	1,843,757
Telephone and cellular costs	10,957,887	9,881,454
Financial Management Grant - projects	149,506	460,477
Vehicle tracking system	3,877,166	4,854,403
Electricity and water	16,049,243	13,826,315
Hire equipment	3,592,963	5,796,520
Special projects - cleansing	5,057,516	4,833,326
Community development projects	3,985,801	4,617,521
Printing and stationery	4,876,206	4,305,513
Postage	4,709,085	3,885,164
Chemicals	3,304,928	3,872,955
Stores and material	3,422,287	3,498,291
Skills development levy	3,596,837	3,424,718
Bank charges	3,722,528	3,353,024
Insurance	3,297,739	3,041,353
Indigent burials	2,465,444	2,978,341
Conferences and delegations	3,908,329	2,809,744
IDP CBP and ward committee planning	3,529,652	2,804,297
Training costs	2,351,993	2,754,686
Uniforms and protective clothing	3,468,987	2,738,255
Subscriptions	2,552,930	2,626,223
Water research	1,874,610	2,423,017
Reconnection test and removal - meters	1,364,017	2,364,438
Accommodation expenses	6,699,157	-
Advertising	2,773,907	1,259,212
Marketing	2,272,245	642,254
Refreshments	3,475,227	485,960
Skills development	2,141,927	795,339
Tools, plant and equipment	2,586,878	606,043
Vacuum services	3,884,035	1,403,694
Workmen's compensation contributions	2,107,997	1,277,935
Water leakage awareness and repairs	9,500,000	-
Inventory write-offs	308,846	-
Provision for rehabilitation of quarries	214,230	-
Other general expenses	17,005,335	7,075,215
<b>Total</b>	<b>177,187,743</b>	<b>142,469,628</b>

2008

2007

	R	R
<b>26. SURPLUS</b>		
Surplus for the year	285,468,692	85,963,806
Included in the surplus for the year is the following:		
<b>Operating lease charges:</b>		
Buildings	7,641,195	7,372,559
Depreciation of property, plant and equipment	(95,023,150)	(99,441,851)
- Buildings	(11,928,686)	(12,271,830)
- Infrastructure	(63,666,372)	(58,771,233)
- Community	(777,835)	(1,295,937)
- Other	(18,650,257)	(27,102,851)
<b>27. PRIOR PERIOD ERRORS</b>	<b>2007</b>	
The following errors were corrected in terms of GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors		
27.1. Provision for rehabilitation of quarries		
A provision for the estimated cost of the rehabilitation for additional quarry sites was done during the current year. The provision was not accounted for in previous years when the municipality became liable to rehabilitate the quarry sites. The comparative statements for 2006/07 have been restated. The effect of the restatement is summarised below:		
Decrease in accumulated surplus	1,194,110	
Increase in expenses	194,909	
Increase in non-current provisions	(1,389,019)	
27.2. UIF Liability		
An UIF liability has been accounted for, for UIF that was payable on councillors' remuneration. This liability has not been recognised previously. The comparative statements for 2006/07 have been restated. The effect of the restatement is summarised below:		
Decrease in accumulated surplus	77,278	
Increase in councillors remuneration	303,244	
Increase in payables	(380,522)	
27.3. Finance lease assets and liabilities		

Finance lease assets and liabilities have not been recognised in prior years. The comparative statements for 2006/07 have been restated. The effect of the restatement is summarised below:

Increase in accumulated surplus	(48,988)
Increase in finance cost	559,092
Increase in finance lease assets	7,443,744
Increase in accumulated depreciation	(2,869,204)
Increase in finance lease liability	(4,805,868)
Increase in depreciation	1,413,805
	<b>2007</b>
	<b>R</b>

Decrease in lease expense	(1,657,049)
Increase in payables	(35,532)

#### 27.4. Interest received

Interest received on short term investments at ABSA, FNB and NEDBANK was only included as interest received in the current year, however the interest accrued during the 2006/07 year. The comparative statements for 2006/07 have been restated. The effect of the restatement is summarised below:

Increase in accumulated surplus	(497,858)
Increase in interest received	(866,973)
Decrease in payables	1,364,831

#### 27.5. Petty cash

The petty cash was disclosed as part of sundry debtors instead of cash and cash equivalents. The comparative statements for 2006/07 have been restated. The effect of the restatement is summarised below:

Increase in cash and cash equivalents	45,919
Decrease in other receivables	(45,919)

#### 27.6. Receivable for leave

Leave credits were included as part of the leave accrual. This is incorrect and should be recognised as a receivable. The comparative statements for 2006/07 have been restated. The effect of the restatement is summarised below:

Increase in payables	(650,392)
Increase in sundry receivables	650,392

#### 27.7 Foreign exchange transactions

The foreign exchange loss for the previous year have not been recognised. The comparative statements for 2006/07 have been restated. The effect of the restatement is summarised below:

Increase in loss due to foreign exchange transactions	39,397
Decrease in licenses expense	(39,397)

#### 27.8 Straight-lining of leases

Straight-lining of leases were not done during the previous year. The comparative statements for 2006/07 have been restated. The effect of the restatement is summarised below:

Increase in rental income	(5,939,572)
Increase in deferred lease income	5,939,572

The municipality did not record all prior period errors, in accordance with the exemptions granted in terms of General notice 552 of 2007 in Government Gazette 30013 of 29 June 2007.

2007  
R

#### 27.9 Unspent Conditional Grants reclassified from payables

Other government grants & assistance incorrectly classified as payables. This should be disclosed as unspent conditional grants and not payables. The comparative statements for 2006/07 have been restated. The effect of the restatement is summarised below:

Increase in unspent conditional grants	(8,435,204)
Decrease in other creditors	8,435,204

#### 27.10 Reclassification of leave provision expense

Amount relating to the movement in the leave provision was incorrectly classified as General Expenses in the Statement of Financial Performance, instead of being classified as Employee Related Cost. The comparative statements for 2006/07 have been restated. The effect of the restatement is summarised below:

Increase in employee related cost - leave provision movement	2,472,266
Decrease in general expenses - leave provision movement	(2,472,266)

2008  
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2007  
R

#### 28. CASH GENERATED BY OPERATIONS

Net surplus for the year	285,468,692	85,963,805
Adjustment for:		
Depreciation	98,487,169	99,441,851
Revaluation of assets	(7,324,461)	-
Contributions to provisions - non-current	492,658	25,056
Contributions to bad debt provision	42,598,989	39,037,268
Contributions reserves	-	(592,907)
Investment income	(148,728,012)	(150,103,608)
Interest paid	2,919,916	2,992,998
<b>Operating surplus before working capital changes:</b>	<b>273,914,950</b>	<b>76,764,463</b>
(Increase)/decrease in inventories	(1,181,249)	466,394
(Increase) in consumer receivables	(62,678,275)	(79,014,611)
Decrease/(increase) in other receivables	1,530,369	(11,555,546)
Increase in conditional grants & receipts	112,955,982	32,169,361
Decrease in provisions	(28,075,123)	(9,702,621)
Increase in payables	68,613,964	42,967,628
Increase/(decrease) in tax payable	12,235,371	(6,570,153)
<b>Cash generated by operations</b>	<b>377,315,990</b>	<b>45,524,915</b>

#### 29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprises the following amounts indicating financial position:

Investments in financial instruments maturing in lesser than the first 3 months	141,299,420	112,926,810
Positive bank balances	82,576,387	21,967,522
Cash on hand	46,318	45,919
<b>Cash and cash equivalents</b>	<b>223,922,125</b>	<b>134,940,251</b>
 <b>Total cash and cash equivalents</b>	 <b>223,922,125</b>	 <b>134,940,251</b>

Refer to Note 15 for a breakdown of cash book balances and balances as per bank statements

***Pledged investments***

An investment of R6 000 000 is pledged as security to the Commissioner of the Workmen's Compensation Fund to guarantee the payment of claims in respect of injuries while on duty.

	2008 R	2007 R
<b>30. INCOME FOR AGENCY SERVICES</b>		
Provincial Administration - Emergency call centre	803,864	4,232,675
Services to Centlec (Pty) Ltd:		
Employee related costs	74,559,732	69,883,229
Other services	6,602,720	7,769,031
	81,966,316	81,884,935
<b>31. UTILISATION OF BORROWINGS RECONCILIATION</b>		
Borrowings (See note 3)	(15,935,063)	17,480,092
Used to finance property, plant and equipment - at cost	15,935,063	(17,480,092)
	-	-
<b>32. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b><u>32.1 Contributions to organised local government</u></b>		
Opening balance	-	-
Council subscriptions	1,998,435	1,563,850
Amount paid - current year	(1,998,435)	(1,563,850)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	-	-
<b><u>32.2 Audit fees</u></b>		
Opening balance	-	-
Prior year audit fee	3,417,346	2,947,941
Amount paid - current year	(3,417,346)	(2,947,941)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	-	-
<b><u>32.3 VAT</u></b>		
<b>VAT paid/(claimed)</b>	(26,919,241)	(4,879,533)
All Vat returns have been submitted by the due date during the year.		
<b><u>32.4 PAYE AND UIF</u></b>		

Opening balance	-	-
Current year payroll deductions	63,739,357	61,316,721
Amount paid - current year	(63,739,357)	(61,316,721)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	-	-

**32.5 Pension and medical aid deductions**

Opening balance	-	-
Current year payroll deductions and council contributions	112,366,539	104,284,780
Amount paid - current year	(112,366,539)	(104,284,780)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	-	-

**MANGAUNG LOCAL MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b><u>32.6 Skills Development Levy</u></b>		
Opening balance	-	-
Payable during the current year	2,141,927	795,339
Amount paid - current year	(2,141,927)	(795,339)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-

**32.7 Councillor's arrear consumer accounts**

The following councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2008	<u>Total</u>	<u>Outstanding</u> <u>less than 90</u> <u>days</u>	<u>Outstanding</u> <u>more than 90</u> <u>days</u>
<b>Councillor:</b>			
Lubbe G D	1,776	595	1,181
Masita M J	93	47	46
Mbange M B	10,977	346	10,631
Minnie H	4,660	2,681	1,979
Mokotjo N G	16,153	5,530	10,623
Mtshiwane K J	17,919	9,065	8,853
Nothnagel J	3,075	169	2,905
Petersen J E	1,529	1,106	423
<b>Total councillor arrear consumer accounts</b>	<b>56,182</b>	<b>19,539</b>	<b>36,641</b>
30 June 2007	<u>Total</u>	<u>Outstanding</u> <u>less than 90</u> <u>days</u>	<u>Outstanding</u> <u>more than 90</u> <u>days</u>
<b>Councillor:</b>			
Dithebe G C	2,070	-	2,070
Makhanya K N L	6,514	1,504	5,010
Masita M J	254	44	210
Mavuya M A	-	170	433

	603		
Minnie H	1,236	747	489
Modise M M	9,979	1,901	8,078
Mokotjo N G	8,934	4,600	4,334
Moletsane S G	4,413	2,862	1,551
Monyabane T A	3,861	207	3,654
Moroel G	4,273	1,626	2,647
Mphetheng M A	363	66	297
Mtshiwane K J	10,171	554	9,617
Nakedi S S	1,549	297	1,252
Phupha N A	4,282	539	3,743
Pongolo X D	4,021	-	4,021
Scheepers M A	1,914	683	1,231
Sefuthi S M	273	-	273
Siyonzana M A	1,112	628	484
Somimi P M	236	59	177
Tsomela M M	1,963	494	1,469
Zweni T A	18,343	752	17,591
<b>Total councillor arrear consumer accounts</b>	<b>86,364</b>	<b>17,733</b>	<b>68,631</b>

During the year the following councillors had arrear accounts outstanding for more than 90 days:

<b>30 June 2008</b>	<b>Highest Amount Outstanding</b>	<b>Ageing</b>
<b>Councillor:</b>		
Choene K	403	>90 Days
Dithebe G L	1,665	>90 Days
Erasmus J C	907	>90 Days
Goliath E K	1,304	>90 Days
Janse van Vuuren E	468	>90 Days
Joubert J J	3,058	>90 Days
July L R	701	>90 Days
Makhanya K N L	8,208	>90 Days
Modise M M	11,251	>90 Days
Nakedi S S	1,636	>90 Days
Nothnagel J	57,826	>90 Days

		<u>Highest Amount</u>	<u>Ageing</u>
	<u>Outstanding</u>		
Scheepers M A	2,167	>90 Days	
Siyonzana M A	1,055	>90 Days	
Zweni T A	12,390	>90 Days	
	103,039		
<b>30 June 2007</b>			
<b>Councillor:</b>			
Human J S	4,344	>90 Days	
Janse van Vuuren D E	7,545	>90 Days	
July L R	683	>90 Days	
Kopane S P	5,913	>90 Days	
Lubbe G D	1,042	>90 Days	
Mbange M B	2,954	>90 Days	
Nothnagel J	3,396	>90 Days	
	25,877		

## MANGAUNG LOCAL MUNICIPALITY

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
<b>33. CAPITAL COMMITMENTS</b>		
Commitments in respect of capital expenditure:		
-Approved and contracted for		
Infrastructure	45,089,410	147,345,650
Community	14,253,000	39,737,760
<b>Total</b>	<b>59,342,410</b>	<b>187,083,410</b>
<b>34. RETIREMENT BENEFIT INFORMATION</b>		
The municipality provides retirement benefits for its employees and councilors. Benefits are provided via defined contribution plans and defined benefit plans.		
<b>34.1. Defined contribution plan</b>		
The following are defined contribution plans: Municipal Councillors Pension Fund, Free State Municipal Pension Fund, Free State Municipal Provident Fund, SAMWU Provident Fund, Old Mutual Orion Pension Fund and National Provident Fund for Municipal Workers. Employees can contribute to the Free State Municipal Pension Fund, Free State Municipal Provident Fund and SAMWU Provident Fund. These Funds are classified as defined contribution plans. These contributions have been expensed.		
<b>34.2. Defined benefit plan</b>		
The defined benefit plans are the Sala Pension Fund and the Government Employment Pension Fund. This is not treated as a benefit plan as defined by IAS19 (AC116), but as a defined contribution plan. These are multi-employer plans and according to the actuaries it is not possible to report separately for each municipality on the fund, thus the reason for treating it as a contribution plan in terms of IAS 19 (AC116).30.		
Some employees belongs to the Sala Pension Fund. The latest actuarial valuation of Sala Pension Fund was on 1 July 2007. These valuations indicate that the funds are in a sound financial position. The estimated liability of the fund is R5,580 million which is adequately financed by assets of R6,138 million.		
Some employees belongs to the Government Employment Pension Fund. The latest actuarial valuation of GEPF was on 31 March 2006. These valuations indicate that the funds are in a sound financial position. The estimated liability of the fund is R447,474 million which is adequately financed by assets of R545,563 million.		
An amount of R55.8 million (2007: R51.8 million) was contributed by Council in respect of councillor and employees retirement funding. These contributions have been expensed.		

<b>35. CONTINGENT LIABILITIES</b>			
35.1 Guarantees by Council in respect of housing loans at financial institutions for officials	3,465,848		5,037,387
35.2 Pending claims			
The municipality is being sued in the following pending claims against the Council. All the claims are being contested based on legal advice.			
- A claim for payment of animals which have died after the date of delivery.	160,000		200,000
- A claim for an alledged breach of contract in respect of the allocation of a tender.	300,000		300,000
- Outstanding claims regarding labour disputes.	30,300,000		500,000
- Claim against municipality from person wishing to evict persons from erf in Botshabelo.	-		1,260,000
- A claim for vicarious liability for two traffic guards being accused of culpable homicide.	-		500,000
- A claim for an alleged breach of contract regarding the constructing of the Free State stadium for 2010.	5,700,000		-
- A claim for damages due to wrongful sale of property.	200,000		-
- A claim for alleged breach of contract regarding computer maintenance services.	-		-
- Claims by individuals due to injuries in various incidents.	2,745,436		-
- Claims by individuals due to damage of vehicles in various incidents.	208,500		-
- A claim for damage to electrical appliances at Ascot Court.	78,547		-
- A claim for loss of property stored in carport at Mirage flats.	230,000		-
- A claim for damages to property due to spread of fire at Kiepersol 2 Hillside.	30,000		-
	39,952,483		2,760,000

## 36. RELATED PARTIES

### ***Controlled Entities:***

#### **Relationships**

Parent	Manguang Local Municipality Centlect
Subsidiary	(Pty) Ltd

A company, Centlec (Pty) Ltd of which Mangaung Local Municipality is the sole shareholder, was formed to take over all activities in respect of the supply of electricity for their own account. All electricity assets, including certain of the receivables of the electricity service were taken over by Centlec (Pty) Ltd. The income formerly derived from the electricity service, will be replaced by interest to be received on a loan account. The company has commenced with business on 1 July 2005.

#### ***Investment in municipal entity***

#### ***Centlec (Pty) Ltd***

**30 June 2008**

Issued share capital

100

Percentage owned by council (%)	100%
Balances at reporting date:	
Indebtness of municipal entities	1,434,187,286
Inter-company loan from Centlec (Pty) Ltd	194,653,900
Transactions:	
Interest received: Shareholder's loan	94,000,000
Interest received: Loan advances	6,428,060
Employee related costs received	74,559,732
Management fees received	1,417,950
Administration fees received	5,184,770
Water charges received	19,756
Electricity charges paid	(12,135,029)

### **30 June 2007**

Issued share capital	100
Percentage owned by council (%)	100%
Balances at reporting date:	
Indebtness of municipal entities	1,399,543,205
Inter-company loan from Centlec (Pty) Ltd	172,811,329
Transactions:	
Interest received: Shareholders loan	96,000,000
Interest received: Loan advances	1,903,019
Employee related costs received	69,883,229
Management fees received	1,708,141
Administration fees received	6,060,890
Water charges received	461,375
Electricity charges paid	(9,951,116)

*See note 10 for investments.*

### ***Key management personnel***

#### ***Remuneration***

*See note 20 and 21 for remuneration of key management personnel and Council.*

<p style="text-align: center;"><b>MANGAUNG LOCAL MUNICIPALITY</b>  <b>APPENDIX A</b>  <b>SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2008</b></p>								
External loans	Loan Number	Redeemable	Balance at 30/6/2007	Received during the year	Redeemed or written off during the year	Balance at 30/6/2008	Carrying Value of Property, Plant & Equipment	Other Costs In accordance with MFMA
			R	R	R	R	R	R
<b>Annuity loans</b>								
DBSA @ 11.25	12279	2007/12/31	33,160		33,160	-	-	-
DBSA @ 11.25	12280	2008/12/31	62,875		40,754	22,121	-	-
DBSA @ 12.00	1529	2009/03/31	40,927		19,262	21,665	-	-
DBSA @ 14.00	1864	2011/09/30	856,846		147,747	709,099	1,084,441	-
DBSA @ 10.00	8001	2015/12/31	16,486,284		1,304,106	15,182,178	16,370,069	-
<b>Total Annuity loans</b>			<b>17,480,092</b>	-	<b>1,545,029</b>	<b>15,935,063</b>	<b>17,454,510</b>	-
<b>Government loans</b>								
BOP @ 10%		2007/06/30				65,892		
<b>Total Government loans</b>			-	-	-	-	<b>65,892</b>	-
<b>Total external loans</b>			<b>17,480,092</b>	-	<b>1,545,029</b>	<b>15,935,063</b>	<b>17,520,402</b>	-

MANGAUNG LOCAL MUNICIPALITY													
APPENDIX B													
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2008													
	Opening Balance	Additions	Transfer In	Cost	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Transfer In	Accumulated Depreciation	Carrying Value	
<b>Land and Buildings</b>													
Land	703,311,621	4,514,004	12,439,600	(110,055,868)	-	-	610,209,357	-	39,055	-	39,055	610,170,302	
Buildings	494,684,920	166,781,504	(12,439,600)	-	-	9,559,875	639,466,949	260,539,311	11,889,631	-	3,378,689	269,050,253	
	<b>1,197,996,541</b>	<b>171,295,508</b>		<b>(110,055,868)</b>		<b>9,559,875</b>	<b>1,249,676,306</b>	<b>260,539,311</b>	<b>11,928,686</b>		<b>3,378,689</b>	<b>269,089,308</b>	
<b>Infrastructure</b>													
Roads & Stormwater	576,702,904	70,821,534	-	-	-	-	647,524,438	237,373,022	37,265,782	-	274,638,804	372,885,634	
Street Lights	15,601,829	404,129	-	-	-	-	16,005,958	965,801	623,031	-	1,588,832	14,417,126	
Traffic Light	10,731,334	1,969,129	-	-	-	-	12,700,463	2,879,534	555,032	-	3,434,566	9,265,897	
Railway Sidings	1,857,990	105,000	-	-	-	-	1,962,990	1,007,571	52,082	-	1,059,653	903,337	
Sewerage Purification	70,999,843	-	-	-	-	-	70,999,843	26,955,016	2,277,396	-	29,232,412	41,767,431	
Sewerage Mains	363,071,021	174,194,805	-	-	-	-	537,265,826	116,245,928	14,618,625	-	130,864,553	406,401,273	
Water Purification	3,895,884	-	-	-	-	-	3,895,884	2,327,880	101,963	-	2,429,843	1,466,041	
Water Mains	495,972,337	19,357,571	-	-	-	-	515,329,908	355,497,498	8,162,085	-	363,659,583	151,670,325	
Electricity Mains	406,906	36,750	-	-	-	-	443,656	51,571	10,376	-	61,947	381,709	
	<b>1,539,240,048</b>	<b>266,888,918</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,806,128,966</b>	<b>743,303,821</b>	<b>63,666,372</b>		<b>806,970,193</b>	<b>999,158,773</b>	
<b>Community Assets</b>													
Parks & Gardens	23,664,308	2,919,612	-	-	-	-	26,583,920	8,547,996	777,835	-	9,325,831	17,258,089	
	<b>23,664,308</b>	<b>2,919,612</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>26,583,920</b>	<b>8,547,996</b>	<b>777,835</b>		<b>9,325,831</b>	<b>17,258,089</b>	
<b>Other Assets</b>													
Site Development	42,667,037	16,520,911	-	-	-	-	59,187,948	25,356,836	937,807	-	26,294,643	32,893,305	
Furniture & Office	89,938,271	14,341,135	715,917	-	-	1,712,540	103,282,783	52,157,454	6,752,410	3,464,019	1,299,121	61,074,762	42,208,021

Equipment													
Tools, Plant & Equipment	35,531,812	2,412,213	-	-	-	31,396	37,912,629	25,403,310	2,278,423	-	17,456	27,664,277	10,248,352
Motor Vehicles	140,807,831	6,554,510	-	-	-	1,968,089	145,394,252	100,605,662	8,681,617	-	1,968,089	107,319,190	38,075,062
	<b>308,944,951</b>	<b>39,828,769</b>	<b>715,917</b>	<b>-</b>	<b>-</b>	<b>3,712,025</b>	<b>345,777,612</b>	<b>203,523,262</b>	<b>18,650,257</b>	<b>3,464,019</b>	<b>3,284,666</b>	<b>222,352,872</b>	<b>123,424,740</b>
<b>Total</b>	<b>3,069,845,848</b>	<b>480,932,807</b>	<b>715,917</b>	<b>(110,055,868)</b>	<b>-</b>	<b>13,271,900</b>	<b>3,428,166,804</b>	<b>1,215,914,390</b>	<b>95,023,150</b>	<b>3,464,019</b>	<b>6,663,355</b>	<b>1,307,738,204</b>	<b>2,120,428,600</b>

	ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2007												
	Opening Balance	Additions	Transfer In	Cost			Closing Balance	Opening Balance	Accumulated Depreciation			Closing Balance	Carrying Value
				Revaluation	Under Construction	Disposals			Additions	Transfer In	Disposals		
<b>Land and Buildings</b>													
Land	711,054,066	3,533,945	-	(767,400)	-	10,508,990	703,311,621	-	-	-	-	-	703,311,621
Buildings	369,695,891	83,952,063	40,784,900	11,672,200	-	11,420,134	494,684,920	210,691,365	12,271,830	40,784,900	3,208,784	260,539,311	234,145,609
	<b>1,080,749,957</b>	<b>87,486,008</b>	<b>40,784,900</b>	<b>10,904,800</b>	-	<b>21,929,124</b>	<b>1,197,996,541</b>	<b>210,691,365</b>	<b>12,271,830</b>	<b>40,784,900</b>	<b>3,208,784</b>	<b>260,539,311</b>	<b>937,457,230</b>
<b>Infrastructure</b>													
Roads & Stormwater	534,965,851	77,270,720	-	-	-	35,533,667	576,702,904	218,353,137	35,005,323	-	15,985,438	237,373,022	339,329,882
Street Lights	14,398,975	1,202,854	-	-	-	-	15,601,829	696,618	269,183	-	-	965,801	14,636,028
Traffic Light	9,749,570	981,764	-	-	-	-	10,731,334	2,372,397	507,137	-	-	2,879,534	7,851,800
Railway Sidings	1,757,990	100,000	-	-	-	-	1,857,990	958,912	48,659	-	-	1,007,571	850,419
Sewerage Purification	57,022,760	13,977,083	-	-	-	-	70,999,843	25,512,838	1,442,178	-	-	26,955,016	44,044,827
Sewerage Mains	325,912,304	68,222,204	-	-	-	31,063,487	363,071,021	105,659,908	12,322,642	-	1,736,622	116,245,928	246,825,093
Water Purification	3,895,884	-	-	-	-	-	3,895,884	2,219,008	108,872	-	-	2,327,880	1,568,004
Water Mains	314,336,258	20,027,624	172,710,630	-	-	11,102,175	495,972,337	175,486,804	9,057,857	172,710,630	1,757,793	355,497,498	140,474,839
Electricity Mains	406,906	-	-	-	-	-	406,906	42,189	9,382	-	-	51,571	355,335
	<b>1,262,446,498</b>	<b>181,782,249</b>	<b>172,710,630</b>	-	-	<b>77,699,329</b>	<b>1,539,240,048</b>	<b>531,301,811</b>	<b>58,771,233</b>	<b>172,710,630</b>	<b>19,479,853</b>	<b>743,303,821</b>	<b>795,936,227</b>
<b>Community Assets</b>													
Parks & Gardens	21,173,688	2,509,591	-	-	-	18,971	23,664,308	7,252,691	1,295,937	-	632	8,547,996	15,116,312
	<b>21,173,688</b>	<b>2,509,591</b>	-	-	-	<b>18,971</b>	<b>23,664,308</b>	<b>7,252,691</b>	<b>1,295,937</b>	-	<b>632</b>	<b>8,547,996</b>	<b>15,116,312</b>
<b>Other Assets</b>													
Site Development	44,377,160	1,760,619	-	-	-	3,470,742	42,667,037	24,357,836	2,225,223	-	1,226,223	25,356,836	17,310,201
Furniture & Office Equipment	82,273,554	11,904,559	-	-	-	4,239,842	89,938,271	43,722,941	11,635,566	-	3,201,053	52,157,454	37,780,817

Tools, Plant & Equipment	34,739,127	1,835,732	-	-	-	1,043,047	35,531,812	23,130,503	2,829,629	-	556,822	25,403,310	10,128,502
Motor Vehicles	136,506,281	9,774,228	-	-	-	5,472,678	140,807,831	92,843,561	10,412,433	-	2,650,332	100,605,662	40,202,169
	<b>297,896,122</b>	<b>25,275,138</b>	-	-	-	<b>14,226,309</b>	<b>308,944,951</b>	<b>184,054,841</b>	<b>27,102,851</b>	-	<b>7,634,430</b>	<b>203,523,262</b>	<b>105,421,689</b>
<b>Total</b>	<b>2,662,266,265</b>	<b>297,052,986</b>	<b>213,495,530</b>	<b>10,904,800</b>	-	<b>113,873,733</b>	<b>3,069,845,848</b>	<b>933,300,708</b>	<b>99,441,851</b>	<b>213,495,530</b>	<b>30,323,699</b>	<b>1,215,914,390</b>	<b>1,853,931,458</b>

MANGAUNG LOCAL MUNICIPALITY													
APPENDIX C													
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2008													
Cost							Accumulated Depreciation						
Opening	Transfer	Revaluation	Under	Closing	Opening	Transfer	Closing	Carrying					
Balance	Additions	In	Construction	Balance	Balance	Additions	Balance	Value					
Office of the City Manager	6,880,994	6,233,574	94,787	-	-	-	13,209,355	4,979,054	760,231	28,590	-	5,767,875	7,441,480
Corporate Services	171,242,512	2,332,176	(767,400)	-	-	-	172,807,288	74,234,815	7,838,054	-	-	82,072,869	90,734,419
Finance Community and Social Development	28,719,893	7,407,709	-	-	-	201,634	35,925,968	15,673,433	2,757,404	-	94,515	18,336,322	17,589,646
Economic Development and Planning	260,280,026	32,824,714	6,129,000	-	-	13,070,266	286,163,474	158,966,891	9,223,079	5,556,999	6,568,840	167,178,129	118,985,345
Infrastructural Services	759,077,701	11,977,642	2,001,400	(110,055,868)	-	-	663,000,875	27,557,369	2,155,534	417,999	-	30,130,902	632,869,973
Miscellaneous Services	1,185,498,774	388,890,356	(94,787)	-	-	-	1,574,294,343	477,862,451	61,187,924	(28,590)	-	539,021,785	1,035,272,558
Housing	7,443,744	-	715,917	-	-	-	8,159,661	2,869,203	(1,905,177)	3,464,019	-	4,428,045	3,731,616
Fresh Produce	104,878,719	8,142,855	(7,363,000)	-	-	-	105,658,574	70,020,745	1,391,306	(5,974,998)	-	65,437,053	40,221,521
Market	25,508,753	2,325,861	-	-	-	-	27,834,614	14,907,982	1,248,129	-	-	16,156,111	11,678,503
Water	520,314,732	20,797,920	-	-	-	-	541,112,652	368,842,447	10,366,666	-	-	379,209,113	161,903,539
<b>Total</b>	<b>3,069,845,848</b>	<b>480,932,807</b>	<b>715,917</b>	<b>(110,055,868)</b>	<b>-</b>	<b>13,271,900</b>	<b>3,428,166,804</b>	<b>1,215,914,390</b>	<b>95,023,150</b>	<b>3,464,019</b>	<b>6,663,355</b>	<b>1,307,738,204</b>	<b>2,120,428,600</b>

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2007													
	Cost						Accumulated Depreciation						Carrying Value
	Opening Balance	Transfer Additions	In	Revaluation	Under Construction	Disposals	Closing Balance	Opening Balance	Transfer Additions	In	Disposals	Closing Balance	
Office of the City Manager	6,898,234	108,641	-	-	-	125,881	6,880,994	4,280,182	824,753	-	125,881	4,979,054	1,901,940
Corporate Services	131,744,389	44,485,540	-	-	-	4,987,417	171,242,512	69,516,490	7,522,186	-	2,803,861	74,234,815	97,007,697
Finance	24,706,040	4,013,853	-	-	-	-	28,719,893	12,833,207	2,840,226	-	-	15,673,433	13,046,460
Community and Social Development	256,175,367	8,928,841	-	-	-	4,824,182	260,280,026	147,519,487	13,134,947	-	1,687,543	158,966,891	101,313,135
Economic Development and Planning	772,558,704	6,759,226	-	(767,400)	-	19,472,829	759,077,701	27,409,983	2,459,089	-	2,311,703	27,557,369	731,520,332
Infrastructural Services	1,058,574,117	196,259,173	-	-	-	69,334,516	1,185,498,774	442,008,688	55,675,484	-	19,821,721	477,862,451	707,636,323
Miscellaneous Services	3,116,875	4,326,869	-	-	-	-	7,443,744	1,455,398	1,413,805	-	-	2,869,203	4,574,541
Housing	47,654,822	7,142,286	40,784,900	11,672,200	-	2,375,489	104,878,719	28,910,114	1,230,725	40,784,900	904,994	70,020,745	34,857,974
Fresh Produce Market	23,593,514	2,199,929	-	-	-	284,690	25,508,753	12,428,141	2,631,666	-	151,825	14,907,982	10,600,771
Water	337,244,203	22,828,628	172,710,630	-	-	12,468,729	520,314,732	186,939,018	11,708,970	172,710,630	2,516,171	368,842,447	151,472,285
<b>Total</b>	<b>2,662,266,265</b>	<b>297,052,986</b>	<b>213,495,530</b>	<b>10,904,800</b>	<b>-</b>	<b>113,873,733</b>	<b>3,069,845,848</b>	<b>933,300,708</b>	<b>99,441,851</b>	<b>213,495,530</b>	<b>30,323,699</b>	<b>1,215,914,390</b>	<b>1,853,931,458</b>

MANGAUNG LOCAL MUNICIPALITY													
APPENDIX C													
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2008													
	Cost						Accumulated Depreciation						
	Opening Balance	Transfer Additions	Revaluation In	Under Construction	Disposals	Closing Balance	Opening Balance	Transfer Additions	In	Disposals	Closing Balance	Carrying Value	
Office of the City Manager	6,880,994	6,233,574	94,787	-	-	13,209,355	4,979,054	760,231	28,590	-	5,767,875	7,441,480	
Corporate Services	171,242,512	2,332,176	(767,400)	-	-	172,807,288	74,234,815	7,838,054	-	-	82,072,869	90,734,419	
Finance	28,719,893	7,407,709	-	-	-	35,925,968	15,673,433	2,757,404	-	94,515	18,336,322	17,589,646	
Community and Social Development	260,280,026	32,824,714	6,129,000	-	-	13,070,266	286,163,474	158,966,891	9,223,079	5,556,999	6,568,840	167,178,129	118,985,345
Economic Development and Planning	759,077,701	11,977,642	2,001,400	(110,055,868)	-	663,000,875	27,557,369	2,155,534	417,999	-	30,130,902	632,869,973	
Infrastructural Services	1,185,498,774	388,890,356	(94,787)	-	-	1,574,294,343	477,862,451	61,187,924	(28,590)	-	539,021,785	1,035,272,558	
Miscellaneous Services	7,443,744	-	715,917	-	-	8,159,661	2,869,203	(1,905,177)	3,464,019	-	4,428,045	3,731,616	
Housing	104,878,719	8,142,855	(7,363,000)	-	-	105,658,574	70,020,745	1,391,306	(5,974,998)	-	65,437,053	40,221,521	
Fresh Produce Market	25,508,753	2,325,861	-	-	-	27,834,614	14,907,982	1,248,129	-	-	16,156,111	11,678,503	
Water	520,314,732	20,797,920	-	-	-	541,112,652	368,842,447	10,366,666	-	-	379,209,113	161,903,539	
<b>Total</b>	<b>3,069,845,848</b>	<b>480,932,807</b>	<b>715,917</b>	<b>(110,055,868)</b>	<b>-</b>	<b>13,271,900</b>	<b>3,428,166,804</b>	<b>1,215,914,390</b>	<b>95,023,150</b>	<b>3,464,019</b>	<b>6,663,355</b>	<b>1,307,738,204</b>	<b>2,120,428,600</b>

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2007													
	Cost						Accumulated Depreciation						Carrying Value
	Opening Balance	Transfer Additions	In	Revaluation	Under Construction	Disposals	Closing Balance	Opening Balance	Transfer Additions	In	Disposals	Closing Balance	
Office of the City Manager	6,898,234	108,641	-	-	-	125,881	6,880,994	4,280,182	824,753	-	125,881	4,979,054	1,901,940
Corporate Services	131,744,389	44,485,540	-	-	-	4,987,417	171,242,512	69,516,490	7,522,186	-	2,803,861	74,234,815	97,007,697
Finance	24,706,040	4,013,853	-	-	-	-	28,719,893	12,833,207	2,840,226	-	-	15,673,433	13,046,460
Community and Social Development	256,175,367	8,928,841	-	-	-	4,824,182	260,280,026	147,519,487	13,134,947	-	1,687,543	158,966,891	101,313,135
Economic Development and Planning	772,558,704	6,759,226	-	(767,400)	-	19,472,829	759,077,701	27,409,983	2,459,089	-	2,311,703	27,557,369	731,520,332
Infrastructural Services	1,058,574,117	196,259,173	-	-	-	69,334,516	1,185,498,774	442,008,688	55,675,484	-	19,821,721	477,862,451	707,636,323
Miscellaneous Services	3,116,875	4,326,869	-	-	-	-	7,443,744	1,455,398	1,413,805	-	-	2,869,203	4,574,541
Housing	47,654,822	7,142,286	40,784,900	11,672,200	-	2,375,489	104,878,719	28,910,114	1,230,725	40,784,900	904,994	70,020,745	34,857,974
Fresh Produce Market	23,593,514	2,199,929	-	-	-	284,690	25,508,753	12,428,141	2,631,666	-	151,825	14,907,982	10,600,771
Water	337,244,203	22,828,628	172,710,630	-	-	12,468,729	520,314,732	186,939,018	11,708,970	172,710,630	2,516,171	368,842,447	151,472,285
<b>Total</b>	<b>2,662,266,265</b>	<b>297,052,986</b>	<b>213,495,530</b>	<b>10,904,800</b>	-	<b>113,873,733</b>	<b>3,069,845,848</b>	<b>933,300,708</b>	<b>99,441,851</b>	<b>213,495,530</b>	<b>30,323,699</b>	<b>1,215,914,390</b>	<b>1,853,931,458</b>

**MANGAUNG LOCAL MUNICIPALITY**  
**APPENDIX D**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008**

<b>2007</b>	<b>2007</b>	<b>2007</b>		<b>2008</b>	<b>2008</b>	<b>2008</b>
<b>Actual</b>	<b>Actual</b>	<b>Surplus/</b>		<b>Actual</b>	<b>Actual</b>	<b>Surplus/</b>
<b>Income</b>	<b>Expenditure</b>	<b>(Deficit)</b>		<b>Income</b>	<b>Expenditure</b>	<b>(Deficit)</b>
<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>	<b>R</b>	<b>R</b>
229,340,707	-	229,340,707	Property Rates	250,173,480		250,173,480
17,395,475	80,448,529	(63,053,054)	Office of the City Manager	18,270,679	104,861,150	(86,590,471)
1,553,024	56,967,919	(55,414,895)	Corporate Services	2,946,393	54,553,043	(51,606,650)
36,408,903	44,133,707	(7,724,804)	Finance	41,861,875	48,487,603	(6,625,728)
37,480,613	184,082,471	(146,601,858)	Community and Social Development	32,402,197	192,224,115	(159,821,918)
8,630,968	34,360,314	(25,729,346)	Economic Development and Planning	19,107,660	36,421,054	(17,313,394)
185,650,723	251,479,883	(65,829,160)	Infrastructural Services	164,340,373	271,665,836	(107,325,463)
406,264,359	165,343,542	240,920,817	Miscellaneous Services	636,835,976	196,194,034	440,641,942
12,022,213	22,477,988	(10,455,775)	Housing	11,636,087	26,598,933	(14,962,846)
11,717,276	11,057,826	659,450	Fresh Produce Market	14,109,561	10,857,057	3,252,504
235,030,819	245,179,095	(10,148,276)	Water	303,501,302	267,854,066	35,647,236
<b>1,181,495,080</b>	<b>1,095,531,274</b>	<b>85,963,806</b>	<b>Total</b>	<b>1,495,185,583</b>	<b>1,209,716,891</b>	<b>285,468,692</b>

MANGAUNG LOCAL MUNICIPALITY						
APPENDIX E (1)						
Revenue	ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008					Explanation of significant variances greater than 10% versus budget
	2008 Actual R	2008 Budget R	2008 Variance R	2008 Variance %		
Property rates	250,173,480	247,342,960	2,830,520	1		
Service charges	340,210,887	326,200,900	14,009,987	4		
Rental of facilities and equipment	20,637,267	14,700,667	5,936,600	40	In order to account for the new accounting standards for leases, an amount of R5.5 million was transferred to revenue as a deferred rental lease income. The amount was not included in the 2008 budget.	
Interest earned - external investments	22,459,987	25,300,000	(2,840,013)	(11)		
Interest earned - outstanding debtors	32,268,025	24,657,920	7,610,105	31	The income source was under budgeted. The increase in outstanding consumer debt was more than anticipated.	
Interest on shareholders loan	94,000,000	94,000,000	-	-		
Fines	7,588,890	9,406,830	(1,817,940)	(19)	The income from traffic fines was R1.8 million less than the amount budgeted for, due to shortages of personnel and withdrawal of summonses, warrants, etc issued, by the court.	
Licenses and permits	265,012	697,570	(432,558)	(62)	The income from dog licenses and levies on placards were less than the amount budgeted for, due to shortages of personnel and withdrawal of summonses, warrants, etc issued, by the court.	
Income for agency services	81,966,316	9,261,640	72,704,676	785	The income from Centlec in the amount of R74.5 million for salaries of employees seconded to the entity was not included in the 2008 budget. The amount is also included in the expenditure of Miscellaneous Services.	
Government grants and subsidies	576,626,581	583,457,064	(6,830,483)	(1)		
Other income	68,989,138	65,057,567	3,931,571	6		
Public contributions and donations	-	-	-	-		
Gains on disposal of property, plant and equipment	-	-	-	-		
<b>Total Revenue</b>	<b>1,495,185,583</b>	<b>1,400,083,118</b>	<b>95,102,465</b>	<b>7</b>		
<b>Expenditure</b>						
Office of the City Manager	104,861,150	110,637,903	(5,776,753)	(5)		
Corporate Services	54,553,043	53,627,834	925,209	2		
Finance	48,487,603	53,062,646	(4,575,043)	(9)		
Community and Social Development	192,224,115	208,155,599	(15,931,484)	(8)		
Economic Development and Planning	36,421,054	41,944,118	(5,523,064)	(13)	Savings on salaries and allowances due to vacancies and savings in general resulted in an under spending on the total budgeted .	
Infrastructural Services	271,665,836	275,025,264	(3,359,428)	(1)		
Miscellaneous Services	196,194,034	97,772,363	98,421,671	101	As indicated under revenue for agency services above, an amount of R74.5 million for salaries of employees seconded to Centlec is included as an expenditure under miscellaneous services and recoverable in full from the entity. The amount was not included in the 2008 budget. An additional amount of R22.2 million was provided for bad debt, which was not provided for in the budget.	
Housing	26,598,933	32,568,301	(5,969,368)	(18)	Savings on salaries and allowances due to vacancies and an under spending of R3 million on the housing accreditation subsidy resulted in a saving on the total budgeted amount. The unspent subsidy is transferred to next financial year.	
Fresh Produce Market	10,857,057	10,677,173	179,884	2		
Water	267,854,066	260,145,479	7,708,587	3		
<b>Total Expenditure</b>	<b>1,209,716,891</b>	<b>1,143,616,680</b>	<b>66,100,211</b>	<b>6</b>		
<b>Net surplus/(deficit) for the year</b>	<b>285,468,692</b>	<b>256,466,438</b>	<b>29,002,254</b>	<b>(11)</b>		

**ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007**

<b>Revenue</b>	<b>2007 Actual R</b>	<b>2007 Budget R</b>	<b>2007 Variance R</b>	<b>2007 Variance %</b>	<b>Explanation of significant variances greater than 10% versus budget</b>
Property rates	229,340,707	229,744,608	(403,901)	(0)	
Service charges	318,286,594	301,226,907	17,059,687	6	
Rental of facilities and equipment	19,231,127	13,683,210	5,547,917	41	
Interest earned - external investments	28,583,362	24,000,000	4,583,362	19	The investment income was more than originally anticipated. Interest rates increased.
Interest earned - outstanding debtors	25,520,246	35,047,461	(9,527,215)	(27)	The income source was over budgeted.
Interest on shareholders loan	96,000,000	96,000,000	-	-	
Fines	9,259,801	13,959,450	(4,699,649)	(34)	The income from traffic fines was R4.6 million less than the amount budgeted for.
Licenses and permits	325,449	528,290	(202,841)	(38)	The income from dog licenses was less than the amount budgeted for.
Income for agency services	81,884,935	9,217,920	72,667,015	788	The income from Centlec in the amount of R69.8 million for salaries of employees seconded to the entity was not included in the 2007 budget. The amount is also included in the expenditure of Miscellaneous Services.
Government grants and subsidies	336,563,792	377,470,723	(40,906,931)	(11)	The amount utilized from the Restructuring Grant was less than the budgeted amount.
Other income	36,498,810	183,492,191	(146,993,381)	(80)	Included in the budget is a contra amount of R146 137 800 in respect of free services recoverable from the equitable share grant. The equitable share is already recognized under Government Grants and Subsidies. The contra transaction to expenditure was budgeted under miscellaneous services. The actual income and expenditure was as a result of the duplication not recorded.
Public contributions and donations	257	-	257	-	
Gains on disposal of property, plant and equipment	-	-	-	-	
<b>Total Revenue</b>	<b>1,181,495,080</b>	<b>1,284,370,760</b>	<b>(102,875,680)</b>	<b>(8)</b>	
<b>Expenditure</b>					
Office of the City Manager	80,448,529	92,139,500	(11,690,971)	(13)	Saving on expenses for IDP and ward committee planning and other savings in general resulted in an under-spending on the vote
Corporate Services	56,967,919	61,978,030	(5,010,111)	(8)	
Finance	44,133,707	44,717,400	(583,693)	(1)	
Community and Social Development	184,082,471	201,203,160	(17,120,689)	(9)	
Economic Development and Planning	34,360,314	38,107,910	(3,747,596)	(10)	
Infrastructural Services	251,479,883	230,109,840	21,370,043	9	
Miscellaneous Services	165,343,542	264,682,550	(99,339,008)	(38)	Refer to other income above. Only an amount of R30 million (actual) was allocated to Centlec as a contribution for free service.
Housing	22,477,988	16,574,462	5,903,526	36	The transfer from the Housing Fund to finance the shortage on the housing schemes is deducted from the budget and the actual deficit was recorded as a transfer from the accumulated surplus.
Fresh Produce Market	11,057,826	10,301,820	756,006	7	
Water	245,179,095	238,882,620	6,296,475	3	
<b>Total Expenditure</b>	<b>1,095,531,274</b>	<b>1,198,697,292</b>	<b>(103,166,018)</b>	<b>(9)</b>	
<b>Net surplus/(deficit) for the year</b>	<b>85,963,806</b>	<b>85,673,468</b>	<b>290,338</b>	<b>(0)</b>	

The amounts recorded in the budget column are unaudited

## MANGAUNG LOCAL MUNICIPALITY

## APPENDIX F

## DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 2003 FOR THE YEAR ENDED 30 JUNE 2008

## Grants and subsidies received

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/ withheld				Reason for delay/ withholding of funds	Did your Municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sept 2007	Dec 2007	March 2008	June 2008	Sept 2007	Dec 2007	March 2008	June 2008	Sept 2007	Dec 2007	March 2008	June 2008			
Equitable Share Public Transport Infra & System Grant	National Government	78,856,925	59,142,694	98,571,156	-	14,521,384	16,307,081	15,823,565	189,918,746	-	-	-	-	-	-	Yes
DWAF Grant MIG -Infrastructural Services	National Government	-	4,167,000	20,833,000	-	-	-	-	-	15,492,689	-	-	-	-	-	Yes
Restructuring Grant Financial Management Grant	National Government	31,040,000	19,880,163	33,881,908	85,432,000	-	-	-	-	165,012,651	-	-	-	-	-	Yes
Municipal System Improvement Grant Provincial Health Subsidies	National Government	-	-	-	-	2,288,109	1,783,352	2,579,798	4,598,715	-	-	-	-	-	-	Yes
National Electrification Program Grant	National Government	1,344,000	3,548,000	18,321,000	-	-	-	-	-	23,213,000	-	-	-	-	-	Yes
Housing Accreditation Subsidy 2010 Stadia Development Grant	Provincial Government	-	2,400,000	-	-	96,206	343,401	81,639	677,614	-	-	-	-	-	-	Yes
DBSA Grant Capacity Building Programme	National Government	12,011,359	78,025,730	21,889,436	71,841,665	-	-	-	-	119,602,028	-	-	-	-	-	Yes
2010 Soccer DBSA Provision Grant Land Use Scheme				720,000						-	-	-	-	-	-	Yes
Provision Transfer Grasslands										-	-	-	-	-	-	Yes
Provision Grant Planning & Surveying										-	-	-	-	-	-	Yes
Local Government & Housing Grant				9,296,800						-	-	-	-	-	-	Yes
Local Government & Housing Infrastructure Grant					30,067,358					-	-	-	-	-	-	Yes
Motheo Contr Environmental Health						3,777,980				-	-	-	-	-	-	Yes
		123,752,284	167,163,587	234,438,923	163,993,665	17,989,049	19,506,008	19,448,305	519,683,219	-	-	-	-	-	-	

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 2003 FOR THE YEAR ENDED 30 JUNE 2007																		
Grants and subsidies received		Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/ withheld				Reason for delay/ withholding of funds	Did your Municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
Sept 2006	Dec 2006			March 2007	June 2007	Sept 2006	Dec 2006	March 2007	June 2007	Sept 2006	Dec 2006	March 2007	June 2007					
Equitable Share	National Government	65,620,877	49,205,817	81,996,572	-	6,006,104	7,742,040	7,884,704	175,190,419	-	-	-	-	-	Yes / No	Yes		
Public Transport Infra & System Grant	National Government	19,000,000	-	-	10,230,000	-	-	-	-	4,306,794	-	-	-	-	Yes	Yes		
DWAF Grant	National Government	-	-	-	9,500,000	137,018	25,953	-	1,693,343	-	-	-	-	-	Yes	Yes		
MIG -Infrastructural Services	National Government	15,458,038	19,467,720	20,231,569	40,664,341	-	-	-	-	91,525,196	-	-	-	-	Yes	Yes		
Restructuring Grant	National Government	-	-	10,000,000	-	3,064,434	5,034,419	2,737,027	8,375,307	-	-	-	-	-	Yes	Yes		
Financial Management Grant	National Government	-	500,000	-	-	130,524	191,927	2,034	135,993	-	-	-	-	-	Yes	Yes		
Municipal System Improvement Grant	National Government	-	-	-	-	-	80,000	80,000	30,000	-	-	-	-	-	Yes	Yes		
Provincial Health Subsidies	Provincial Government	-	7,108,556	7,489,767	-	3,649,580	3,649,581	3,649,581	3,649,581	-	-	-	-	-	Yes	Yes		
National Electrification Program Grant	National Government	3,999,600	-	-	-	-	-	-	3,999,600	-	-	-	-	-	Yes	Yes		
2010 Stadia Development Grant	National Government	-	-	4,000,000	13,816	-	-	-	-	-	-	-	-	-	Yes	Yes		
Housing Accreditation Subsidy	National Government	2,231,748	-	2,014,732	-	2,231,748	-	-	1,360,887	-	-	-	-	-	Yes	Yes		
DBSA Grant Capacity Building Programme	National Government	234,104	500,000	500,000	-	234,104	-	-	-	-	-	-	-	-	Yes	Yes		
2010 Soccer DBSA Provision Grant	National Government	821,100	-	-	880,000	-	-	-	-	-	-	-	-	-	Yes	Yes		
Land Use Scheme	-	-	-	-	4,500,000	-	-	-	-	-	-	-	-	-	Yes	Yes		
Provision Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	Yes		
Grasslands Provision Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	Yes		
Planning & Surveying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	Yes		
Local Government & Housing Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	Yes		
Local Government & Housing Infrastructure Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	Yes		
Motheo Contr Environmental Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	Yes		
		108,865,467	76,282,093	127,112,640	64,908,157	15,453,512	16,723,920	14,353,346	290,267,120	-	-	-	-	-				